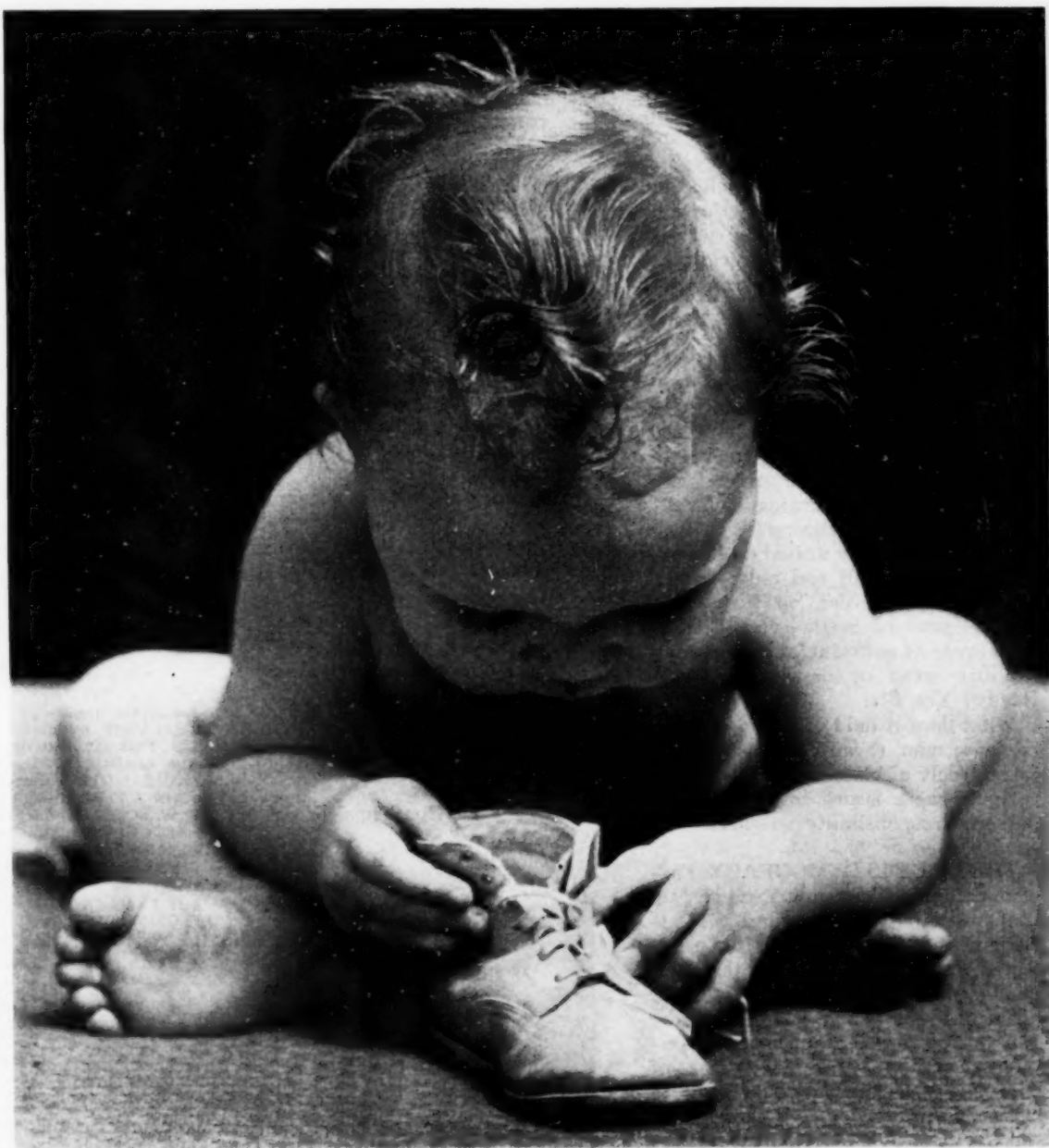


# *The* BRIDGE

**The Credit Union Way to Economic Betterment**

**Official  
Publication  
of the  
CREDIT UNION  
NATIONAL  
ASSOCIATION  
Inc.**



**JANUARY 1944**

**Annual Meeting Issue ~ Helping MEMBERSHIP Build Strong Credit Unions**

# Ready? Yes, Sir!

by Roy F. Bergengren

## NEW YEARS—1944!

The first day of the most crucial year in history.

Like the sun which never sets on the British Empire, this day, all day long, the sun will be forever rising on American soldiers and sailors and marines—on our girls in a dozen services—the defenders of democracy all the world around. Reveille sounds from a hundred thousand bugles and—we are ready!

In a thousand camps New Years will come. It will dawn over the horizon of the seven seas on ten thousand ships, flying our flag! Ready? Yes, Sir!

Aviators, American boys who but yesterday were booting a football around on the village green or running it on a hundred thousand gridirons, will be coming in from air raids and patrols to our airfields all over the embattled globe. Ready? Yes, Sir!

And at home the sun will rise on a chastened, resolute and wishful people. From every city and hamlet, on every farm and in every market place, in every teeming factory where the weary night-shift will be surrendering its benches to a returning day-shift, our people will be wishing for the war to end while grimly united and determined that it shall end only in total Victory. Ready? Yes, Sir!

1944—year of battle—year of destiny—year of suffering and prodigious sacrifice—year of dawning Victory. Ready? Yes, Sir!

What does it hold of promise to the common man, reward for his offering up so freely of blood and treasure?

Never were issues so clear—never personal responsibility so great.

**THE ISSUE IS DEMOCRACY.** Fascism denies it. Fascism instead sets up the power of the State and the enslavement of the individual. It is predicated on the assumption that our democratic concept of the equality of all mankind is wrong. It would establish the power of a super-race, conquerer of the world, destroyer of everything we have been trying to create in America since the signing of the Compact in the cabin of the Mayflower.

Fascism is Wrong, personified. In this war it does battle with Democracy, Right personified—and there can be no compromise.

And we do battle, too, for a better tomorrow. This war shall not end in futility. Fortunately it comes close

enough in time to the World War so that we are not heedless of the hard lessons we have learned.

The challenge is for a better economic life for all mankind—to-morrow; for higher standards of living throughout the world—to-morrow, for the certainty of fair work at a fair wage when the day of unconditional surrender arrives.

**HITHERTO** our national and our international life have been motivated on profit, nation exploiting nation, individual exploiting individual. Greed has been the golden calf and we have been the worshippers. In the credit union we know that there is a better motive. A vast majority of credit union officers serve only because of the abounding joy of service.

This time we shall not lose the rewards of Victory, those precious freedoms which we are winning at such frightful sacrifice. We fight that we may control our own economic destiny, for a free world—all over the world—freedom on every sea and in every land and in the skies above us.

Uncle Sam is challenged to take his rightful place at the head of the table of the Council of the World. He isn't afraid to assume these vast responsibilities.

Ready? Yes, Sir!

It is not the will of God that hatred and greed and intolerance shall dominate the world. He calls upon us to create that brotherhood of man to which we have given so much of lip-service. This brotherhood is His sublime objective for us.

1944—Year of Challenge! Year of Destiny!

Ready for it?

Yes, Sir!



★  
*Happy New Year!*  
★

## THE BRIDGE

Volume 8 JANUARY No. 11

official publication of  
**THE CREDIT UNION NATIONAL ASSOCIATION, INC.**

Raiffeisen House, Madison, Wisc.

HOWARD C. CUSTER, Editor

RICHARD GILES, Assoc. Ed. On Military Leave

CHAS. G. HYLAND, Business Manager

**SUBSCRIPTIONS—\$1 A YEAR**

### THIS Month:

Annual Meeting Issue

|                                  |    |
|----------------------------------|----|
| Credit Union Members:            | 3  |
| Whaddaya Know?                   | 4  |
| How Does YOUR Credit Union Rate? | 5  |
| What About It?                   | 6  |
| Dividends Can Be Your Enemy      | 7  |
| Who Says?                        | 8  |
| In China                         | 10 |
| George Investigates              | 12 |
| On Influencing People            | 13 |
| Why Should I Serve?              | 14 |
| Why a Membership Drive?          | 17 |
| Our Readers Write                | 18 |

Cover photo by H. Armstrong Roberts

### Coming NEXT Month:

"What now?" The board of directors and the committees of the Abco Credit Union, each with one or more new members as a result of the recent annual meeting elections, plan strong programs for the crucial year ahead.

## CUNA

### Executive Committee:

|                                 |                      |
|---------------------------------|----------------------|
| R. A. WEST, President           | Decatur, Ill.        |
| L. A. PINKNEY, First Vice Pres. | Kansas City, Mo.     |
| A. B. MacDONALD, Treasurer      | Antigonish, N. S.    |
| KARL S. LITTLE, Secretary       | Salt Lake City, Utah |
| JOHN J. AMMERING, Vice Pres.    | Rochester, N.Y.      |
| C. W. McKEEVER, Vice Pres.      | Penns Grove, N. J.   |
| HAROLD MOSES, Vice Pres.        | New Orleans, La.     |
| GURDEN P. FARR, Vice Pres.      | Detroit, Mich.       |
| CHARLES P. BYRNE, Vice Pres.    | Denver, Colo.        |

### Staff:

|                                  |                |
|----------------------------------|----------------|
| ROY F. BERGENGREN, Man. Dir.     | Madison, Wis.  |
| THOS. W. DOIG, Asst. Man. Dir.   | Madison, Wis.  |
| CHAS. G. HYLAND, Comptroller     | Madison, Wis.  |
| DORA MAXWELL, Organiza'n Dir.    | Brooklyn, N.Y. |
| J. ORRIN SHIPE, Educational Dir. | Madison, Wis.  |

### ADVERTISING RATES ON APPLICATION

All subscriptions received before the fifth of the month start automatically with the issue of the current month; all those received after the fifth of the month start with the following month. To insure prompt delivery of *THE BRIDGE*, when you change your residence, please send in a post card with your former address as well as your new address. When sending in a single subscription or a group of subscriptions, *THE BRIDGE* would appreciate it if you would mark all renewal subscriptions conspicuously with the word "Renewal."

*THE BRIDGE* is published monthly by the CREDIT UNION NATIONAL ASSOCIATION at 404 N. Wesley Ave., Mount Morris, Illinois. Editorial offices are located at Raiffeisen House, Madison, Wis. J. E. West, Advertising Manager, 360 N. Michigan Ave., Chicago, Ill. Communications having to do with subscriptions, should be addressed to 404 N. Wesley Ave., Mount Morris, Illinois, or to *THE BRIDGE*, Raiffeisen House, Madison, Wisconsin. Entered as second-class matter Feb. 12, 1942, at the post office at Mount Morris, Illinois, under the Act of Mar. 3, 1879. Copyright 1944 by CREDIT UNION NATIONAL ASSOCIATION. Subscription rates, single copies, 15c; yearly subscriptions \$1.00.



**THE BRIDGE—January, 1944**

# Credit Union Members:

This annual meeting issue of the BRIDGE is designed to help you review the work of your credit union and of the credit union movement, and to help you make your credit union of greater service to you and your fellow members. The BRIDGE is proud to be one of the tools by which you are achieving your credit union goals, and heartily wishes you continued and increasing success. "More power to you!"

## The Overall Picture

### The Past

1848—First credit union, Flammersfeld, Germany.

1900—First credit union in North America, Levis, Quebec.

1909—First credit union in United States, Manchester, New Hampshire.

1909—First credit union state law (Massachusetts).

1921—Organization of Credit Union National Extension Bureau.

1934—Organization of Credit Union National Association, Estes Park, Colorado.

1934—Passage of Federal Credit Union Act.

1935—Organization of Cuna Mutual Insurance Society.

1936—Organization of Cuna Supply Cooperative.

1936—Credit union loans for year exceed \$100,000,000 for first time.

1936—Credit union membership reaches 1,000,000.

1937—Credit union assets pass the \$100,000,000 mark.

1941—Credit unions issue loans totaling \$362,000,000.

1941—Number of credit unions pass 10,000 mark.

1941—Credit union membership reaches 3,500,000.

1941—First Canadian Credit Union Leagues join Cuna (Nova Scotia and British Columbia).

1942—Credit union assets pass \$300,000,000 mark.

1943—Cuna Mutual Insurance Society launches international life insurance program.

1943—All-Canadian Credit Union Conference, Levis, Quebec.

### The Present

(Last reports available—compiled by the Bureau of Labor Statistics—are as of December 31, 1942.)

|                                     |               |
|-------------------------------------|---------------|
| Number of credit unions...          | 10,601        |
| Number of members.....              | 3,139,457     |
| Paid-in share capital.....          | \$288,838,946 |
| Total assets .....                  | \$340,188,694 |
| Net earnings for the year..         | \$10,675,147  |
| Number loans made during year ..... | 1,943,991     |
| Amount loans made during year ..... | \$249,660,061 |

"Many credit unions are selling war bonds worth many times their own total assets. In ten days one credit union raised enough to buy a bomber, although its members were already contributing 15 percent of their salaries under the payroll savings plan. Another credit union has just sold its 100,000th bond."—October 1943 BRIDGE.

### The Future

(Goals to shoot at in the next few years if credit unions are to serve—in reasonable measure—the thrift and loan needs of the peoples of United States and Canada.)

|                          |                 |
|--------------------------|-----------------|
| Number of credit unions  | 100,000         |
| Number of members....    | 30,000,000      |
| Paid-in share capital... | \$3,000,000,000 |
| Total assets .....       | \$3,500,000,000 |
| Net earnings per year..  | \$150,000,000   |
| Number loans per year.   | 20,000,000      |
| Amount loans per year.   | \$4,000,000,000 |

"There are three fundamental things which mankind has sought since the day when God first breathed into a living being a human soul. The first of these has been food and shelter. The second has been reasonable security and safety. But the third has been freedom of the spirit."—Jerry Voorhis.





# Whaddaya know?

*First questions and one man's answers about the credit union.*

## What is a credit union?

A credit union is a thrift and loan association owned and operated by its patron-members for their mutual benefit—not for profit, not for charity, but for service. Briefly, it is a co-operative thrift and loan association.

## Who may belong?

Anybody in the field of membership set by the credit union's charter. This may include the employees of a particular shop or store, the members of a particular parish, residents of a small community, or any closely associated group of people. Within the groups, no one is excluded from membership.

## How much does it cost to belong?

There is a 25 cent membership fee. Prospective members must also subscribe to one share of stock in the credit union and agree to make regular payments on that share until it is paid for. Shares almost always cost five or ten dollars and represent the members' ownership in the credit union.

## What are the benefits of belonging?

Credit union members have a convenient means of developing strong thrift programs. It is usually much easier to make regular deposits in credit union share accounts than it is to save money elsewhere. Much of the almost \$300,000,000 now saved by credit union members would not have been saved if it had not been for the credit unions.

But further than this, the credit union provides a convenient source of low rate loans. For small loans, from 50 to 100 or so dollars, the credit union is almost always able to provide the wage earner funds at a real saving. Often times the saving is substantial, running into many dollars. For example, a \$100 loan made at the maximum credit union rate and repaid in equal monthly installments of \$10 would cost \$5.50 in interest charges. The same loan made with a small loan company would probably cost at least twice as much and often costs considerably more than that. The cost leaps up rapidly when loan sharks and their kind are dealt with.

In addition to these thrift and loan benefits, the credit union offers several tangible benefits to those who take an active part in its affairs; for instance, the experience in serving on

the board and on committees is valuable and interesting; as is the work of the treasurer. Those who attend annual meetings and participate in the deliberations of the meeting gain poise and a better understanding of social problems.

## What are the responsibilities of credit union membership?

Members should save regularly in their credit union. They should bring all their loan business to the credit union. They should keep on the alert to discover ways their credit union can render better service and bring their suggestions promptly to the attention of the proper official or committee chairman. They should show appreciation for the work their officials and committees are doing. They should stand ready to serve on the board of directors and on committees. They should remember always that the credit union is their organization and that it depends upon their wholehearted support for its greatest success.

## That Pat on the Back

At annual meeting time, certainly, as well as frequently during the year, credit union members will want to express their appreciation to the officials and committee members who serve them so faithfully.

A formal vote of appreciation at the annual meeting will without doubt be genuinely appreciated, but appreciated even more will be the individual, personal "thank-yous" which members take the trouble to express from time to time. Don't forget those "pats on the back." They mean a lot.

## Saves \$35

Just a few days ago a Sterling resident bought a used car from a local car dealer. The financing and insurance cost quoted by the dealer totalled \$70. Before the buyer signed the papers a friend told him to check the cost of borrowing money at the credit union to pay cash for the car.

Imagine his surprise and joy to find that the same costs totalled just \$35 at the credit union! He saved one-half by borrowing at the credit union!

Are you telling your friends about this saving? Are you taking advantage of these savings yourself? All loans insured.—NEWSLETTER, Sterling, Colo.



## Credit Union Sponsors First Car of Hospital Train

Charles P. Byrne, president; G. W. Greenwald, vice president; and R. F. Brink, treasurer, of the Belco Credit Union, Denver, Colorado, which sponsored the first car in an all-Colorado army hospital train by extra war bond purchases totalling \$13,500 which buys one-tenth of whole train. Mr. Byrne is a Cuna vice president.—Rocky Mountain News Photo.



# How does YOUR credit union rate?

The following statements are designed to help you judge how well your credit union is serving you. They may indicate points which should be given special critical attention at your annual meeting. Likewise, they may show that your credit union has been specially successful and lead you to give your officials and committees particularly warm pats on the back. Both results will be worthwhile.

THE BRIDGE is anxious to note outstanding records made. It would appreciate it therefore if you would have your supervisory committee make an official check of this rating sheet and mail the coupon below by February 10.

Check each statement which is applicable to your credit union. Leave the rest blank. For example, if your credit union has 80 per cent of its potential membership, you would check all of the four first statements. If it has over 75 per cent, check the second, third, and fourth. Check each statement, of course, which shows a figure equalled or exceeded by the record of your credit union. Count *two* points for each item checked in determining total score.

## My credit union:

- ☐ 1. Has 80 per cent of its potential membership.
- ☐ 2. Has 75 per cent of its potential membership.
- ☐ 3. Has 70 per cent of its potential membership.
- ☐ 4. Has 65 per cent of its potential membership.
- ☐ 5. Has 70 per cent of its total assets in loans to members.
- ☐ 6. Has 60 per cent of its total assets in loans to members.
- ☐ 7. Has 50 per cent of its total assets in loans to members.
- ☐ 8. Of its total assets not in loans to members has 50 per cent in war bonds.
- ☐ 9. Has an active educational committee.
- ☐ 10. Has had 100 per cent of its members passbooks audited within the last 18 months.
- ☐ 11. Has had 100 per cent of its members passbooks audited within the last 12 months.
- ☐ 12. Is an issuing agent for war bonds.
- ☐ 13. Has sold war bonds the cash value of which equals or exceeds its total assets.
- ☐ 14. Cashes salary checks of members.
- ☐ 15. Has no more than one per cent of its loans delinquent more than two months.
- ☐ 16. Has no more than three loans delinquent more than six months.

- ☐ 17. Issues regular bulletins or circulars.
- ☐ 18. Has an average shareholding per member of \$100.
- ☐ 19. Has an average shareholding per member of \$125.
- ☐ 20. Belongs to the local credit union chapter, if there is any.
- ☐ 21. Belongs to the state credit union league, and/or to Cuna.
- ☐ 22. Provides borrowers protection insurance.
- ☐ 23. Provides life savings insurance.
- ☐ 24. Had 10 per cent of its members, but not less than 25 members, present at its 1944 annual meeting.
- ☐ 25. Had 25 per cent of its members, but not less than 100 members, present at its 1944 annual meeting.
- ☐ 26. Had its annual meeting mentioned in its local papers.
- ☐ 27. Had an annual meeting in which there was interested discussion from the floor (the meeting did more than just "go through the formalities").
- ☐ 28. Had refreshments or provided some form of entertainment at the annual meeting.
- ☐ 29. Waives interest on loans to members of the armed forces.
- ☐ 30. Has an assistant treasurer or understudy to the treasurer who could take over if the treasurer were drafted or transferred.
- ☐ 31. Distributed printed reports showing the financial and operating condition of the credit union at the annual meeting.
- ☐ 32. Posts conspicuously each month the financial statement of the credit union.
- ☐ 33. Keeps on hand a supply of credit union circulars for members to pick up when they come to the credit union office.
- ☐ 34. Has attractive posters and other display material posted in credit union office and on available bulletin boards at all times.
- ☐ 35. Sends warm welcoming letter to newcomers to field of membership, or otherwise calls their attention particularly to the credit union.
- ☐ 36. Board of directors meets at least monthly.
- ☐ 37. Supervisory committee meets at least quarterly.
- ☐ 38. Credit committee meets at least weekly.
- ☐ 39. Educational committee meets at least monthly.
- ☐ 40. Nominating committee made a thorough canvass of our members for new officer and committee material before making nominations this year.
- ☐ 41. Makes available to officials and committee members "how-to" publications issued by governmental supervisory authorities, state leagues, and Cuna.
- ☐ 42. Has increased membership 7½ per cent during First Annual International Membership Drive.
- ☐ 43. Has increased membership 12½ per cent during drive.
- ☐ 44. Has increased membership 15 per cent during drive.
- ☐ 45. Has increased membership 20 per cent during drive.
- ☐ 46. Has kept members in the armed forces informed about the affairs of the credit union.
- ☐ 47. Subscribes to THE BRIDGE for officers and committee members.
- ☐ 48. Has frequent joint meetings of board, credit committee, and supervisory committee.
- ☐ 49. Has a liberal credit policy (for example, it regularly grants loans on signatures alone to the maximum amount permitted by law).
- ☐ 50. Has paid no dividend larger than 3 per cent since Pearl Harbor.

Editor, The Bridge  
Madison 1, Wisconsin

This will certify that we, members of the Supervisory Committee of the ..... Credit Union, have checked our credit union on the rating sheet appearing in January 1944 Bridge, and found the score of our credit union to be ..... (counting *two* points for each item checked).

(Signed by at least two members) .....

....., 1944

(Mail by February 10.)

# What About It?

by Tom Doig

## Life Savings Accounting

**Question (From Texas):** I am somewhat in doubt as to the extent of Life Savings coverage on individual accounts in excess of \$1,000 as well as the proper method for deducting uninsurable items from coverage. Will you kindly explain this matter in detail in *THE BRIDGE*?

**Answer:** The Life Savings Plan affords individual coverage under a group contract entered into between the credit union and the CUNA Mutual Insurance Society. The maximum amount of coverage on any individual member is \$1,000. Obviously, therefore, accounts which are in excess of \$1,000 total savings cannot be covered under the contract in the amount of the excess. For example, if an individual member had \$2,000 in his share account, the additional \$1,000 over and above the maximum amount of coverage allowed, should be deducted before computing the premium and should be reported to the Society as an uninsurable item.

The Life Savings Agreement further limits coverage to items which have been deposited to a member's share account prior to the member's attainment of age 70 years. Therefore, any member who is 70 or over as of the effective date of the contract is ineligible for any benefits, and the total amount of his individual share account should be excluded from coverage and reported as an uninsurable deduction. Any member who becomes 70 years of age during the life of the contract is ineligible for coverage on any savings deposited after his 70th birthday. Therefore, such additional savings should be excluded and reported as an uninsurable deduction.

Savings credited to a member's account who is ineligible for coverage because of inability to meet with the "Physical Requirements" provision of the contract should also be excluded and listed as an uninsurable deduction.

Accounts which are held by the credit union in the name of associations, organizations, or societies are not insurable because there is no one individual who can be considered as having a proper "insurable interest." Therefore, all such accounts should be excluded from coverage and listed as an uninsurable deduction.

When a saving member becomes deceased and a claim results under the Life Savings Plan, the particular share account of the deceased member

should be included for coverage for the month in which death actually occurred. Assuming that death occurred on the 20th of September, the share account of the deceased should continue to be carried in "total shares" in the financial statement as of the close of September, and proper premiums paid thereon. On all reports for subsequent months, however, this account should be excluded from coverage and reported as an uninsurable deduction because no further coverage is afforded and no insurable interest is vested in any individual.

This particular case can be considered in two examples: First, an unmarried member could die without having a joint account and without known relatives and with no estate. After the necessary claim papers were presented, the CUNA Mutual Insurance Society would make prompt settlement of the Life Savings claim, and an additional sum would be deposited in the deceased member's share account. The entire amount should from that time on be excluded from coverage under the Life Savings contract even though the credit union would necessarily have to carry the account on its books until proper disposition could be made.

In the second instance, it might involve a member who had a joint account with his wife, with the surviving member having full rights and privileges to the account. If the account happened to contain \$500 in shares on which 100 per cent coverage was allowed, the Society would honor a claim in the amount of \$500, and the deceased member's share account would automatically increase to \$1,000. It would then be possible for the surviving member of the account to continue the account in her name, and the share balance should, therefore, be included for coverage in all subsequent reports. Any additional deposits made to the account, however, should be excluded on account of the \$1,000 maximum. It is well to note that for purposes of benefits, the full \$1,000 would be presumed to have been deposited to the surviving member's account as of the date the change

---

**YOU ARE INVITED** to submit your questions on any credit union problems to this department. You are also welcome to contribute your own ideas on the answers printed here. What's on your mind?

---

in ownership of the account was made, and resulting benefits under the contract would be considered on the basis of the attained age of the surviving member as of that date.

Forms for reporting deductions from coverage under the Life Savings Plan are furnished by the Society.

## Loans for War Bonds

**Question (From North Carolina):** Our credit union makes ordinary loans in amounts up to \$300 in excess of members' share balances at an interest rate of 1 per cent per month on the unpaid balance.

During the current War Loan Drive we are urging our members to borrow for the purchase of War Savings Bonds. Several of the members wish to purchase 2% and 2½% Treasury Bonds, but do not want to borrow the money at the present rate of interest.

We would like to have your advice on the following plan prior to the next meeting of the board of directors. We want to make special loans solely for the purchase of such bonds, using the bonds as collateral, and charge 4 per cent per year interest, with interest payable monthly. There would be a definite understanding that the special terms and rate of interest would apply to this class of loans only.

If we are permitted to make such loans, can a member also have an ordinary loan on the regular terms? If so, how could payments on both classes of loans be recorded in the passbook? Should special individual ledger accounts be set up to record this special type of loan?

**Answer:** If your credit union wishes to make special loans solely for the purchase of 2% and 2½% Treasury Bonds, using the bonds as collateral, and charging 4 per cent per year interest, with interest payable monthly, with the definite understanding that the special terms and rate of interest would apply to this class of loans only as a war measure, then your board of directors should pass a resolution fixing this special rate of interest for such loans. I can see no particular objection to such practice.

If you do make such special loans they are exempt from Regulation W and also it would be proper for a member to have a regular loan on the usual terms at the same time. If these two types of loans are made, I would suggest that you use a special passbook and a special ledger sheet on which to carry the loans made to finance the purchase of bonds. Simply take another passbook and ledger sheet and give it the member's regular number and add to that number the letter W indicating that this is a special War passbook and loan.



**I**N January, credit union members usually try to evaluate the success of their credit union. Success can best be measured by taking stock of the progress made in achieving the primary objectives.

It is only natural that many credit union members should consider dividends as the most important indication of successful operation. The fallacy of this idea becomes clear, however, when we relate the effect and influence of dividends to the primary purposes of a credit union.

First, it should be made clear that the writer of this article definitely believes that dividends are proper and desirable as a return to shareholders for the use of their savings, and as an incentive to further saving. It does not follow, however, that the rate of dividend is a good measure of success for the credit union, nor that a 6 percent dividend is to be preferred over a 3 percent dividend.



#### The Better Policy

Information available indicates quite clearly the effect the dividend policy has had on some credit unions. The following two cases are quite typical.

**Credit Union A.** This credit union is one of the largest in the United States. Its board of directors has consistently sought to encourage regular saving by its members and has by resolution established a limit on share purchases at \$50 per month per member. During 1943, the officers informed the members that a very small dividend, if any, could be paid in January 1944. Even without the attraction of a prospective dividend, a large number of the members have saved regularly and both membership and assets have increased very rapidly. The growth of the credit union during 1943 amounts to several hundred thousand dollars.

**Credit Union B.** This is another large credit union which had assets of more than \$300,000 in 1940. When the officers found that the shareholdings were increasing more rapidly than loan demand, they became concerned about the prospect that dividends of 6 percent could not be paid, if that trend



by Joseph E. Blomgren

# Dividends can be your enemy

were permitted to continue. The limit on shareholdings was \$2,000 per member. Several members, including some of the directors, had already invested the full limit. They desired to continue the attractive dividend rate, and the board of directors decided to limit share purchases in the future to \$5 per month per member in order to keep the share purchases down. The directors also were inclined to discourage new members except those who expressed a desire to join the credit union in order to apply for a loan.

In Credit Union A, it was considered most important to encourage regular saving, and emphasis was placed on thrift through systematic share payments by members. Dividends were thought of as relatively unimportant as compared with the regular accumulation of savings out of current income. In Credit Union B, a desire for substantial dividends on the large shareholdings of a relatively few members led to the policy of drastically restricting the ability of other members to save in the credit union. The result has been that Credit Union B is no larger today than it was in 1940, and saving has virtually ceased in the credit union. Thus, in this case, the desire for high dividends by those in control has resulted in blocking saving which is, in the opinion of most credit union leaders, the most important function of the credit union.

#### Remember Employees

The desire for high dividends often results in miserly treatment of the treasurer and employees who have worked faithfully for the credit union. It is a sound principle that compensation for those who work for the credit union should receive careful and sympathetic consideration before the dividend is decided upon.

This year, there is another condition which enters the picture. Military loans which are delinquent are gradually occupying a larger place in the loan portfolios. While there is no reason to doubt that a large percentage of these loans will eventually be re-

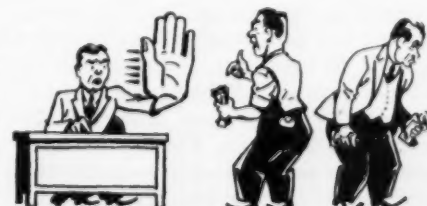
paid, it is only reasonable to expect some losses. Unless the regular reserves are adequate to meet probable losses from this source, it may be advisable to keep an appropriate amount in undivided profits as a cushion against losses due to the war.

Some credit unions were foresighted enough to build up undivided profits to some extent during normal times for the specific purpose of meeting dividend requirements in times like the present. They are, of course, in a very favorable position now.

#### Members Cooperate

It is an interesting fact which speaks well for the good sense and cooperative spirit of the members that they are often more willing than credit union officials to accept a lower dividend in order to achieve the real objective of thrift through regular saving and helpful, constructive loans. This year they will be willing to forego any dividend, if necessary or advisable, when the fundamental issues are clear to them.

It seems that we must come to the conclusion that unduly high dividends are just as foreign to the best credit union practice as excessive interest rates on loans. On the other hand, a reasonable dividend is not only proper but desirable and should be paid after making adequate provision for reserves, compensation of treasurer and employees, and development of the credit union through education of members and prospective members. Great care should be exercised in avoiding the adoption of any policy which will interfere with service to the members and keeping the door wide open to the accumulation of systematic savings from current income.



Joseph E. Blomgren is Review Examiner in the Federal Credit Union Section of the Federal Deposit Insurance Corporation.



# Who says—

that the loan shark evil is licked—that there is no need for many more credit unions—and many more credit union members?

*READ THESE authoritative statements and true stories. THE BRIDGE will be astonished if you don't get a new appreciation of the service your credit union is rendering you, and a new determination to introduce that service to as many of your fellow citizens as possible. At any rate their great human interest makes these stories eminently worth reading.*

## "Cluster Like Flies"

"Loan Sharks are especially troublesome around the war plants. They cluster around those gates like flies to lend their money at these ruinous rates," testified a Department of Justice investigator recently before a congressional committee. "The war agencies have complained. Some have said that they have either got to stop making more airplanes or get rid of the loan sharks around the plants."

When asked whether investigation has shown a big increase in the amount of money loaned as a result of the heavy new income taxes, the investigator replied:

"We have not made a statistical tabulation of that for this year. We do know that the complaints are growing and that the war plants are beset with loan sharks."

## "200 and 400 Per Cent"

An investigation made for the governor and legislature of North Carolina, "which included interviews with 1161 borrowers in seven different cities of North Carolina shows that over 80 per cent of these persons paid an annual rate of interest of between 200 and 400 per cent for their loans."

## "242 Per Cent"

The Public Affairs Committee pamphlet "Loan Sharks and Their Victims," refers to a study published in 1942 by the Junior Bar Conference of the American Bar Association, which tabulated 457 illegal loans in Oklahoma. "On these loans the average annual rate ranged from 206 per cent on 33 loans, each of over \$50, to 299 per cent on 126 loans, each of \$10 or less. In a previous study of 520 cases in Oklahoma, Findley Weaver found that on loans of \$21 to \$30, the average annual rate was 242 per cent."

## \$1,700 Interest on \$140

The pamphlet tells of the following case:

A street car operator testified before a Missouri house committee that nine years before he had borrowed \$140 from a loan shark. He paid \$1,700 in interest and still owed the \$140. When unable to make interest payments, he said, he was shifted from loan shark to loan shark, until he finally owed seven of them.

"I couldn't have made it if my wife hadn't been working, too," he said. "I got so despondent I went home one day to turn on the gas. My wife talked me out of that. The boys (referring to some young lawyers who were fighting the loan sharks and had become interested in his case) have taken me out of the clutches of the loan sharks."

## Loan Sharks Take Their Toll

"Loan sharks take their toll," asserts the title of an article in the pamphlet "10 Close-ups of Consumer Credit" issued by the Federal Credit Union Section in 1940, and the above testimony would indicate that this is more true now than then.

The following quotations from that authoritative article thus make pertinent as well as interesting reading:

"Percentage figures on loan-shark rates go so high it becomes hard to follow their meaning. One hundred and twenty and 240 percent a year are about the lowest common rates; rates of 1,040 and 2,000 percent a year are not uncommon.

"Borrow \$20 from a loan shark till payday two weeks off, and you will usually pay back at least \$22. A \$2 charge on \$20 for two weeks is 260 per cent a year. The same \$2 charge would probably be levied for a week's advance; in that event the interest rate would be double—520 percent a year.

"Worse than the interest rate, however, is the loan shark technique of making it difficult, often impossible, for the borrower to repay the principal. Once a customer, the borrower is tricked or bullied into continuing to pay interest—not only interest on the original balance, but often interest on the interest. Allowing him to fall a little behind, the shark may grant him another loan to keep up interest payments on the first loan. The principal is always hanging over his head, perhaps mounting with terrifying speed.

"Interest is so high that it does not so much matter to the illegal lender whether the original principal ever gets paid. In over 700 complaints against loan sharks recently filed with the St. Louis Bar Association, most of the loans had run over 6 months, at 20 percent interest. At that rate, it takes the loan shark only 5 months to get back the full principal; whatever he collected by way of either interest or principal after that is 'gravy.'"

## Vicious Collection Methods

"Figures on interest and principal tell only part of the story," the article continues. "Borrowers are harried not only by dollars-and-cents charges but also by collection methods typical of operators who are already outside the law. Threats to complain to the borrower's employer, threats to file a wage assignment or garnishee a borrower's salary—which may mean loss of his job—are routine. These may be varied by annoying telephone calls to the borrower's office, visits in which he is loudly denounced in public as a deadbeat and a crook, or terrifying telephone calls and messages to the borrower's wife, or even his children at school. The New York district attorney's office brought cases to light in which men were beaten up—some for slowness in payment, others for attempting to pay off the principal of their debts. With 200 post-office employees found in the toils of 'unbeatable obligations' to loan sharks, a postmaster in Texas recently told the State legislature, 'We have had one suicide,

and one employee sent to the penitentiary for embezzlement directly attributable to loan sharks.'

"Exactly how much of consumers' money these credit leeches get is hard to tell. Bootleg business collects enormous interest but few statistics. Probably between 150 and 200 million dollars a year are borrowed from sharks. The amount has been going down for many years, largely because of the competition of less expensive forms of consumer credit. But consumers still go to loan sharks for about 10 or 15 out of every 100 of small loans."

### No State Entirely Free

"For a large number of states . . . the loan-shark is very much a present-day problem," remarks Paul H. Sanders, acting editor of the Duke University quarterly *LAW AND CONTEMPORARY PROBLEMS* in the forward to the symposium on "Combatting the Loan Shark" to which the Winter, 1941 issue was devoted. "And in many of these states 'combating the loan shark' is not just a phrase but a grim reality to legal aid organizations, social agency councils, bar association committees, and other public-spirited organizations. . . . But even under the best-administered laws loan sharks will creep in from time to time . . . The problem can not well be ignored by the people of any state."

### Loan Shark Dodges

"Usury laws alone have not been sufficient to prevent usury where people needed to borrow," notes the article in "10 Close-ups of Consumer Credit" above referred to. "There have always been some methods of collecting extortionate interest which have got by the courts. The most common form of evasion of usury laws is salary buying. The victim does not make a loan; he 'sells' the loan shark part or all of his salary. Many courts have held this to be a sale of goods rather than a loan of money; and on a sale of goods the price may be nobody else's business. . . . Many states have

now specifically outlawed salary buying or at least banned purchase of salaries before they have been earned. Other states have defined it as a loan of money and hence subject to whatever restrictions govern loans.

"Other subterfuges are legion. Here are some which have been reported by the Kansas Legislative Council:

1. *Plain note method.*—The borrower signs a note for the principal he actually receives plus the heavy interest. On this total sum, the note innocently bears 'interest after maturity' at the legal rate.

2. *Two-note plan.*—The shark takes two notes, one for the principal actually loaned, 'with interest after maturity,' and another for the amount of the interest, bearing the same due date.

3. *Bonus or contribution plan.*—One note is taken for the amount of a loan; and the borrower signs another document promising to contribute a stated amount to the support of the loan company's office, or pay a bonus to the company for securing the loan.

4. *Insurance racket.*—The borrower has to take out a large insurance policy on his household goods or his auto, for a much longer period of time than the loan was supposed to run. The shark may be the agent for the insurance company; or he may split fees with the agents; or he may collect the money and not have the policy written at all. Life insurance policies may be used to vary this device.

5. *Merchandise sales.*—The subterfuge here is to sell the borrower—as a condition of the loan—some valueless beads or furniture, say for \$15 on a loan of \$25 in cash, and take a \$40 note.

6. *Merchandise order plan.* Here the loan office gives the borrower, who needs cash, an order on a grocery store, say for \$20 worth of groceries. The grocery, which is in on the scheme, cashes the order for \$15. The borrower, of course, has to repay \$20 next pay day.

7. *Brokerage.*—Two offices, usually run by the same people, claim to be a broker and lender. Application for

the loan has to be made through the 'broker' who then submits it to the lender. The broker's commission makes a fat interest charge.

8. *Endorsement selling.*—The loan will not be made unless it is endorsed. There is, 'fortunately,' someone available who will endorse the note—at the borrower's expense."

These, of course, are only glances at typical methods. There are many variations of these and other methods used to get victims in states with protective laws. For instance in one state with a law which set the maximum interest rate at 2½ percent per month, it was testified in an official legislative committee hearing that three banks had obtained pawnbrokers licenses so that they could charge higher interest rates.

### The Payoff

All this added up becomes one of the main reasons why credit unions in the United States and Canada are in the midst of drives for at least 500,000 new members by February 15—even now when the demands upon them are otherwise very great. They see that the more they can protect workers from loan sharks, the stronger their country will be, in war as well as in peace. The need is, if anything, more urgent in war time, than it is in peace, because of the bad effect workers with money worries are likely to have upon war production.

### Additional Reading

For additional information and case histories on the subject:

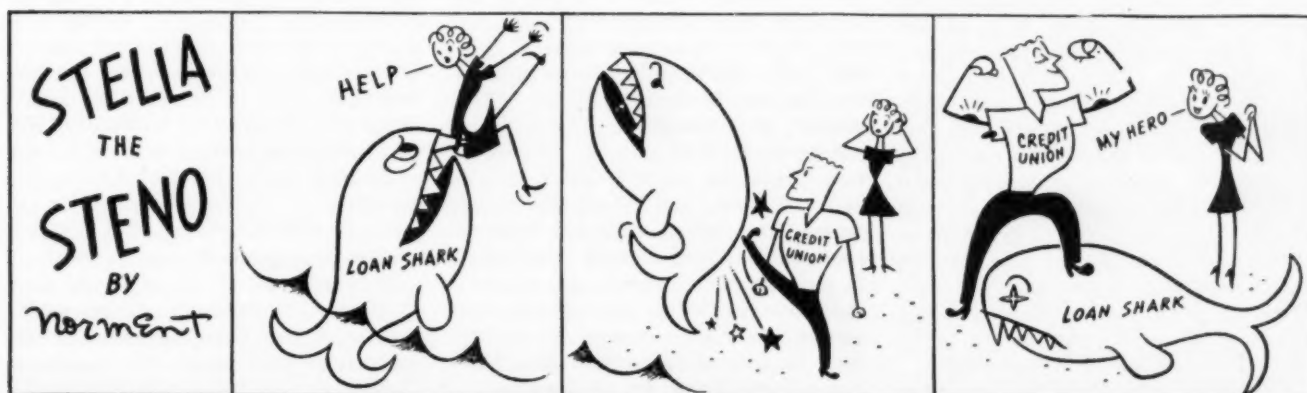
*You Pay and You Pay*, by Maurice M. Goldman, formerly assistant to the Attorney General of Massachusetts; Howell, Soskin, Publishers.

The following pamphlets may be obtained from the Cuna Supply Co-operative, Madison 1, Wisconsin.

*10 Close-ups of Consumer Credit*, 15 cents.

*Loan Sharks and Their Victims*, 10 cents.

*Credit for Consumers*, 10 cents.



—from THE ROTARIAN



Professor Shih-Chi Hu is General-Secretary of the Cooperative League of China, Vice-President of the National Cooperative Training Institute, and Inspector-General of the Central Cooperative Administration, Ministry of Social Affairs. He is a graduate of China National University and did post-graduate work at the Universities of London, Paris, and the Graduate Institute of International Studies, Geneva, Switzerland. He has also studied cooperatives in Denmark, Sweden, Germany, and Italy. Professor Hu is now in this country lecturing and studying all forms of American cooperation and helping to bring about coordination between the cooperative movements of China and the United States. He is accredited with the formation of the Chinese-American Coordination Committee for Cooperatives on which he is now serving as general-secretary. This fall he set up the School of International Cooperation, under the leadership of Dr. Warbasse, which trains personnel for postwar economic reconstruction through cooperatives. He is executive-secretary of the School of International Cooperation.—Karl von Romerheim photo.

by Shih-Chi Hu

**C**OOPERATION is a phenomenon which is never absent when men come together. It began with the beginning of the human race. It is certainly as old as history and probably predates written history. History again tells us that men always feel inclined to group into a community. They find in a community a better living environment than when they stay apart and aloof from the rest of the human race. This community system is omnipresent. This is because human beings have so much in common, common temperament, common aptitudes, common traits, common ends, and so forth. When they have so much in common, the stage is set for the advent of the spirit and practice of cooperation.

Confucius, who lived 500 years before Jesus Christ, is China's greatest

## *The credit union movement*

# In China

has been working very strenuously during this time of chaos in order that it may eventually become the good partner of the American credit union movement and work with it hand in hand to build a strong international credit union movement in which the people themselves will be able to handle their own finances and attain genuine economic democracy.

sage. His name is well known to Westerners and most scholars find occasion to refer to his sayings and teachings in the course of their studies. Confucius' teachings have always had a great influence on the lives of the Chinese people. The customs and traditions to which the Chinese people now adhere are more or less related to his teachings. He is known to most people as a philosopher, but few realize that he was fundamentally a cooperative philosopher. The underlying spirit of his thought is cooperation. His ideas have converted the Chinese people into one great cooperative community.

There is one passage in the Book of Rites which contains the gist of his cooperative ideas. In this passage, he made a strongly convincing exposition of World Commonwealth. He said in the World Commonwealth there should be no selfishness; it should be one for all and all for one. No man should show special favor to his relatives or sons and daughters. Ample recognition should be given to ability and righteousness. Everybody should believe in faith, sincerity and truthfulness and all should live in an all-pervading spirit of harmony and mutual help and understanding. The old should have his proper place of retirement; the strong, his field in which he can make use of his strength; the young, opportunities of development; the widowers, widows, orphans and invalids, their chances of continual normal existence and recuperation; the male, their rightful occupations; and the female, their husbands. In the matter of commodities, there should not be more than enough. Commodities should be utilized when needed and not stored up. Everyone should do his best and should not shirk responsibilities and should help others in case he has reserve resources. If the above conditions exist, then people would not find it necessary to lock their houses or close their doors because there would be no disorder, no burglary, no robbery, nor injustice.

There should be a perfect brotherhood of man, a happy world family and cosmopolitanism.

In practice, since the inception of Chinese written history many kinds of organizations have been recorded which bore some extent of similarity to the practice of cooperation but which were not strictly based on true cooperative principles.

**T**HE first organization to appear in our history which can be said to be based on more or less true cooperative principles was established over 1,000 years ago. It was called the community granary which was founded by a famous Confucian scholar in the Soong Dynasty called Chu Hsi. Chu Hsi set up his first community granary in Tsungan in Fukien and the system quickly spread to all parts of the country. This system has so much to offer to the Chinese people that it has been preserved right up to today. In some of the villages people are still maintaining community granaries.

Then there is the Ho Ui which was first organized in China about two thousand years ago and which still exists today. Ho Ui may be translated as community loan association. It was an organization of ten or twelve persons, sometimes more and sometimes less. The people who grouped themselves into a Ho Ui were usually people who were at times in need of a large sum of money for discharging certain personal affairs such as marriage, buying a farm, building a house, etc., but who were not able to get hold of such a large sum of money individually. Under these circumstances, combination of strength was necessary. The way left them was to cooperate with one another so that each would get his large sum of money when he required it.

Evidently the Ho Ui is an old form of the credit union in China which prompted the rapid growth of the modern credit union movement in China.

The seed of the modern cooperative



movement based on Rochdale Principles was sown only about a quarter of a century ago, by the late Professor S.Y. Hsueh, the father of the Chinese cooperative movement. Professor Hsueh was a German and American trained economist. It was during his stay in Germany that he began to be interested in credit societies. He deeply admired the progress credit societies achieved in Germany. On his return to China, he dedicated his life to the promotion of cooperation. Under his sponsorship, the Shanghai People's Cooperative and Savings Bank, the first cooperative society in China, was organized in 1919. As a result, interest in cooperative enterprise was widely aroused and cooperatives of all kinds have been set up in different parts of the country since 1922.

**W**HEN the present Government came into power in 1927, a new epoch of brightness was initiated for the future of the Chinese cooperative movement. Due to the keen interest and assistance of the Government leaders, especially the efforts of Generalissimo Chiang Kai-shek and Governor Chen Kuo-fu, the movement spread throughout the country like a bush fire.

In 1937, when the war started, the movement was stunned by the effects of the war. Its progress was arrested. But this is really only a temporary phenomenon. After only a short time the Chinese cooperative movement gathered its strength and rolled forward with a speed that amazed everyone. In 1937, there were only 46,983 cooperative societies of all kinds in China, with a membership of slightly over 2,000,000. In 1941, that is, four years after the outbreak of the war, the cooperative movement showed the most encouraging expansion. In this year, the number of societies jumped up to 166,938, with a membership of 9,690,258. Today China has 172,995 cooperatives, this total being greater than all the cooperative societies throughout the rest of the world.

Under the leadership of Generalissimo Chiang Kai-shek, the Chinese people are now looking upon cooperation as the most important and effective means of achieving the dual herculean task of resistance and reconstruction. Time and time again insurmountable difficulties have been overcome by the cooperative movement during these years of stress.

Of these 173,000 cooperative societies, credit societies number 92,134. The total of their share-capital amounts to about \$35,000,000, Chinese currency, with a membership of more than 6,000,000. Most of these credit societies are located in rural districts.

Naturally, their members are mostly farmers. Up until the war broke out, when the price of farm products became higher, the credit societies did not have substantial savings. By the end of 1942, however, the total amount of outstanding loans provided by the credit facilities of the four Chinese Government Banks aggregated \$121,460,276, Chinese currency. As the farmers have become financially better off during the war, we can readily understand why. At the end of last year, the total amount of savings of the credit societies was more than triple that of 1940.

In urban areas, the development of the credit union movement is also speedy. As the cost of living during the war is taking an incessant upward trend, the Chinese salaried people such as Government employees, teachers, and office clerks have to struggle through this period of stress and hardship by obtaining necessary loans from the credit unions.

After the outbreak of the war when the Government offices, schools, and other institutions began to migrate into the interior provinces, many people were aided to meet the expense of moving their homes by becoming credit union members.

**P**ERHAPS our readers are aware that although their growth has been very encouraging, and they are at present among the most energetic and progressive, the Chinese credit unions are confronted with many problems which remain to be solved.

In the first place, these 92,134 credit unions have not yet federated together into a national association as the American movement has. All we have at the moment are 10,193 district credit federations (a district is somewhat equivalent to a township in the U.S.A.) and 164 credit union county federations. Before the outbreak of the war, there was one provincial credit federation existent in Kiangsu Province, one of the largest provinces in the southeastern part of China. Due to the Japanese occupation of some parts of this province, this provincial federation no longer exists. There are, roughly, about 2,000 counties in China. Many more county federations are to be organized and the setup of provincial organizations will be the next step.

In the second place, the loans given by credit societies to their members far exceed their savings. Therefore the credit unions in China resemble loan associations more than credit unions. Savings must be encouraged in order to cement the economic foundation of these people's banks.

In the third place, there are only eight livestock cooperative insurance

societies in China. The development of cooperative crop, fire and life insurance businesses should be the job of the credit union movement.

To remedy the situation, many provinces have already set up county and provincial cooperative banks. The greater part of their capital is taken up by the government banks and the rest is bought by the credit unions and other kinds of cooperative societies. Last fall the Chinese Government decided to establish a national bank for cooperatives capitalized at \$200,000,000, Chinese currency. The Government will subscribe most of the shares, but in the course of time the Government will have to surrender all its shares as cooperative societies reach maturity, after which the bank will attain the status of a genuine cooperative bank owned and managed by cooperators. The same will be true of county and provincial banks.

**W**HEN this war is over, cooperative democracy should replace the old order of things in order that permanent international peace may be attained. With a view toward helping to achieve this ultimate goal, the Chinese credit movement has been working very strenuously during this time of chaos in order that it may eventually become the good partner of the American credit union movement and work with it hand in hand to build a strong international credit union movement in which the people themselves will be able to handle their own finances and attain genuine economic democracy.

### Rochdale Centennial

This year credit unions join with other cooperatives in celebrating the one hundredth anniversary of the Rochdale pioneers.

One hundred years ago a tiny group of poor English weavers demonstrated the value of thrift habits by accumulating from their meager income, ever so laboriously, bit by bit, a few pounds of capital. Finally in December they opened their own cooperative store on Toad Lane with a stock of flour and a few other basic needs.

From that small beginning the cooperative movement has grown to its present size. The few pounds of capital has grown into millions of pounds. The few men have grown into millions of men, joined together for their mutual benefit.

Credit unions have, of course, played an outstanding part in this demonstration that the people can finance and operate under unusually democratic principles their own businesses. They can be proud to be a part of this 100 year old movement, which the *New York Times* has called "one of the world's most peaceful, most constructive economic social reforms."

# George Investigates

"To think that I had to go take a jump in the river to get George O'Malley to introduce me to the credit union," Henry would say. "But it was worth it."

by Clifton Graham

**D**ON'T you worry, Honey; everything will be all right," said Henry earnestly. His wife smiled as she returned to the best of her feeble ability the pressure of his hands upon hers.

The bright winter sun streamed through the white curtains and the white wall of the hospital room. The only touch of color was the single red rose he had brought. She glanced from it to him and tried to feel happy. But worry prevented her. In spite of herself, she was sick at heart as well as body, and her day was a gray one.

Tomorrow she was coming home and today their troubles were hanging heavy over her.

"Everything will be all right," Henry had said. But how could he believe so? She knew he was only trying to hide from her his own despair. She smiled as he left her, but a while later her nurse found her crying. The kindly nurse held her hands and stroked her hair some time before she was able to control the sobs and the tears.

Henry started to walk the three miles home to save the ten-cent car fare, as he had done every day since his wife went to the hospital. As he walked he tried once more to get at some answer to his problem. How could a bookkeeper earning \$30 a week in war time hope to pay his debts and support his family of five much longer?

In addition to the bill for his wife's operation he still owed the doctor for mending his son's broken arm, and he had several payments yet to make on their washing machine.

But more worrisome than them all was the loan he had just made to pay for his wife's hospital bill. That would not wait, so he had borrowed \$100, much against his better judgment, from a fellow at the shop who somehow had known of his plight and had offered to make the loan for a month—at \$10 interest.

Henry knew that this was a very high interest charge, but his need was

desperate, he was timid about making enquiries concerning loans, and the fellow had led him to believe—he had a persuasive way—that a person in his situation was lucky to get a loan at any price.

"I'm only giving it to you as a special favor," he had said.

"**S**PECIAL favor, indeed," Henry mumbled to himself as he walked along. He saw clearly enough now that he was being imposed upon. And yet he was glad he had been able to slip into his wife's hands the money the hospital would require. He had left it with her because he hadn't wanted to carry so much around.

The more he thought about it, the more he realized how grave their plight was. Food and rent and their few other regular expenses took most of his salary. And now there was medicine, and doctor bills, and this usurious loan. And they all needed shoes and other clothes badly. He thought about the two pairs of shoes he could buy with the \$10 he would have to pay the loan shark at the end of the month, and the month following that. And no doubt for months to come, for he knew it would be a long time before he could do much more than pay the interest on the loan, even if he had no more misfortunes.

He stopped on a bridge which crossed the local river. The water below was dark and grew strangely inviting. He thought how good it would be to be quit of the whole mess his life was in. But who would look after his family? Hell, they would be better off without him. They could go back to the farm. There they would have plenty to eat at any rate. On the impulse he clambered over the railing and dropped into the water.

The next day George Scott, Treasurer of the ABC Credit Union, read a news account of Henry's rescue from the river. A passerby had come up in time to see Henry leap over and

had called the police. Henry had come to his senses as soon as he hit the water and had almost succeeded in reaching shore before the rescue equipment arrived. The news story said something about "worry over debts" being the cause of the suicide attempt.

George decided to investigate. He went around to the address given in the newspaper and found Henry doing the washing while his wife supervised the operation from a nearby chair where she was wrapped in a blanket. Henry seemed none the worse for his river plunge.

George was so obviously concerned over their plight, and friendly, that he soon had them telling him the full extent of their problems. Truth to tell, they were delighted to find a sympathetic person to talk to.

"Now if you were working at our plant the problem would be easy," George said to Henry after they had finished. "We have a credit union, and a credit union loan would take care of you nicely."

"What is a credit union?"

Briefly George explained.

"Couldn't we organize one at our plant?"

"Sure you could, and I'll help you. But it will probably take a little time to get your gang interested and the legal formalities complied with. I'm afraid before we could get that done, brother loan shark would have taken one or two husky bites from your pocket book. I'd just like to stop him from taking any. And I believe I can do it, too."

George was busier than usual next day. First he called five of his friends, all of whom were members of his credit union and all of whom were "old faithfuls." He told them of Henry's plight and got them to sign a loan application for \$200 to provide Henry with the money he needed to pay all his debts and buy a few of the clothes his family lacked most.



George couldn't sign, of course, since he was a credit union officer. But the others took his word that Henry would pay. He knew that the moral obligation for the loan was his.

Then he called the credit union credit committee together and sold it on the idea of making the loan, as an extraordinary credit union service.

Then during the noon hour he went around to the office where Henry worked and he and Henry had a session with the loan shark. The shark did not want to give up the note, and he sputtered when it became evident that George had no intention of letting him collect the usurious interest. He fumed and made threats and in general tried the usual bullying tactics he found effective on his victims. But George soon persuaded him that it would not be healthy for him to push the matter and that should be satisfied to get his money back.

Then George went over with Henry the conditions under which the credit union loan had been obtained and discussed Henry's plans with him.

"Now, don't worry about the thanks"—Henry was practically crying with gratitude—"We've all profited a great deal from our credit union, and we are glad to have an opportunity to pass on some of the benefits we have received. All you have to do is pay \$10 a month on the loan, and in less than two years you'll have the whole thing paid.

"In the meanwhile, we'll have a credit union organized at your plant, you see if we don't."

And they did. A few days later George called to see the manager of Henry's plant. He was immediately interested and at once called a meeting of the employees and gave a warm pep talk for credit unions, before he introduced George, who gave them the detailed information they would need concerning a credit union for their group. The idea was immediately popular; the credit union was soon organized. Because of his book-keeping experience Henry was made treasurer. The credit union grew rapidly and became the pride of both the employees and the plant management.

Henry became absorbed in his credit union work and was soon known as one of the prize treasurers of the area. Before long he was drawing a salary from the credit union, which helped his financial condition considerably. He also became a leader in the local credit union chapter affairs.

He continually marveled at what the credit union meant to him. "To think that I had to go take a jump in the river to get George O'Malley to introduce me to the credit union," he would say. "But it was worth it."



## Ben Franklin on *Influencing People*

These words from Franklin's *Autobiography* may well be read by credit union people as they prepare for their annual meetings. Many good points are no doubt lost in credit union, as well as other, meetings because of the ill-considered way they are presented by their proponents.

MY list of virtues contained at first but twelve (1. Temperance; 2. Silence; 3. Order; 4. Resolution; 5. Frugality; 6. Industry; 7. Sincerity; 8. Justice; 9. Moderation; 10. Cleanliness; 11. Tranquility; 12. Chastity); but a Quaker friend having kindly informed me that I was generally thought proud; that my pride showed itself frequently in conversation; that I was not content with being in the right when discussing any point, but was overbearing and rather insolent, of which he convinced me by mentioning several instances; I determined . . . to cure myself, if I could of this vice or folly among the rest, and I added Humility to my list, giving an extensive meaning to the word.

I cannot boast of much success in acquiring the *reality* of this virtue, but I had a good deal with regard to the *appearance* of it. I made it a rule to forbear all direct contradiction to the sentiments of others and all positive assertion of my own. I even forbade myself . . . the use of every word or expression in the language that indicated a fixed opinion, such as "certainly," "undoubtedly," etc., and I adopted, instead of them, "I conceive," "I apprehend," or "I imagine" a thing to be so or so; or it "so appears to me at present."

When another asserted something that I thought an error, I denied myself the pleasure of contradicting him abruptly and of showing immediately some absurdity in his proposition; and in answering I began by observing that in certain cases or circumstances his opinion would be right, but in the present case there *appeared* or *seemed* to me some difference, etc.

I soon found the advantage of this change in my manner; the conversations I engaged in went on more pleasantly. The modest way in which I proposed my opinions procured them a readier reception and less contradiction; I had less mortification when I was found to be in the wrong, and I more easily prevailed with others to give up their mistakes and join with me when I happened to be in the right.

And this mode, which I first put on with some violence to natural inclination, became at length so easy, and so

habitual to me that perhaps these fifty years past no one has ever heard a dogmatical expression escape me. And to this habit (after my character of integrity) I think it principally owing that I had early so much weight with my fellow-citizens when I proposed new institutions or alterations in the old, and so much influence in public councils when I became a member; for I was but a bad speaker, never eloquent, subject to much hesitation in my choice of words, hardly correct in language, and yet I generally carried my points.

In reality there is, perhaps, no one of our natural passions so hard to subdue as Pride. Disguise it, struggle with it, beat it down, stifle it, mortify it as much as one pleases, it is still alive, and will every now and then peep out and show itself; you will see it, perhaps, often in this history; for even if I could conceive that I had completely overcome it, I should probably be proud of my humility.



★ *Good  
work, Sue!*

You are doing more than produce the goods, in a big way. You are also fighting war-time inflation and post-war depression with regular war bond purchases and credit union savings.



# Why Should I Serve?

John Credit Union Member thrashes out, with reader's help, the question "Why should I serve on the board of directors of my credit union?"

**W**HY should I serve . . . why should I serve . . . why should I—blast it—that question has been running through my mind all evening, ever since the nominating committee of the credit union approached me shortly after quitting time. They want me to permit my name to be placed in nomination for a vacancy on the board of directors.

"That looks like a lot of dull care to me, and for what? There's no pay for this job. As I see it, it's just more responsibility, for no thanks and likely as not a lot of abuse.

"No, I guess this time I'll be smart and not get my feet wet. Tomorrow I'll tell Bob, the chairman of the nominating committee, that I have thought it over and that my answer is 'Not this time, thank you.'

"But then Bob did have some good reasons why I should serve, and when I think of them, sort of makes me feel like a piker not to run. And I keep thinking of Don and Jim. Darn it, here I go, wrestling with this question all over again—ah, I have it—Mr. Reader, what would you do? I think I'll toss this problem into your lap. Perhaps you will help me decide.

## Introducing Myself

"Let me tell you a little bit about myself. Perhaps it will help you to get my slant. I am 39, have a wife and three kids. We bought a home 7 years ago; the repairs and payments keep me humping. I am a machinist in the plant on the East end of town; been with them 9 years. The dough and overtime is good now, for awhile we worked 7 days a week. Always have got mine the hard way. I don't go much for this helping the other guy stuff. When a guy puts in a day now he's glad when the whistle blows. He doesn't feel much like sitting in a meeting for another hour or two, slugging with the other guy's problems. Once a week I bowl with the department's team in the company's league. Occasionally attend a union meeting; get to the show about once a week with the wife. When this Civilian Defense stuff was hot, I was the warden in my block; kinda liked it, too.

"Haven't taken what you'd call any special interest in the credit union.

Remember now when that guy from a thing called a league was here about six years ago and helped the boys start her. Funny how the only thing I remember from what he said was that a credit union's main purpose was service. It looked like another skin game to me and I told him so. After the meeting I again told him it was probably a nice racket for him. He didn't get sore either. No, sir; he told me all over again how it worked; it was exactly the same as he told the others. I remember then he told me to get active in the credit union and to keep looking for the racket. I didn't join them, my money comes too hard to be reckless with it. Bill, who works on the lathe next to mine, served on the first credit committee. He asked me several times to join, but I always told him I would think it over, and did nothing.

"Once in a while I would see a leaflet or poster about the credit union but I didn't join. I didn't need a loan and I had nothing to save in those days.

## Don's Story

"But I got a jolt one night when the wife's brother was over to the house. We were in the back yard, smoking and talking. I always liked the wife's brother. He works at the plant, too. He's one of these tough-luck guys. Always pays too much for what he buys and someone in his house is always sick. Somebody always seemed after him for money. Though I like the guy, I sorta figured him to be a deadbeat and always bucked any discussion of money with him. I didn't want him to get into me for a loan.

"I don't remember how we got to discussing the credit union; but it seems that about six or seven years ago when Don's (that's the wife's brother) wife nearly checked out with their first kid, Don had a lot of hospital and doctor bills. Special care and medicine for the kid took a lot of money, too. There used to be a guy in Don's department who would loan the fellows \$5 for \$6 until payday. Incidentally, he quit shortly after the credit union was organized. He loaned Don \$200 and although he paid him \$20 a month, the principal never seemed to get smaller; the payments

seemed to be all used for interest. Well, it seems that the director of the credit union who works in Don's department somehow or other learned of the jam he was in with that blood-sucker.

"He approached Don and told him of the credit union and how it gives a guy a handle to pull himself out of a mess by his own efforts.

"Don got a loan from the credit union and paid off Mr. Shylock. Later he got several more loans. Don told me that one day when he was making a loan payment the credit union treasurer suggested that if Don could do so, it would be a good thing if he could start to save in the credit union. For a long time he could only put a quarter in, but the treasurer seemed as glad to accept it as if it were a million bucks. Don frankly said he had never saved a nickel until the credit union helped him to realize that he could. He said when the quarters began to total 25 and then 50 bucks, he felt like a new man. He felt as if he had more of a stake in things and that everything wasn't always against him. Funny, too, about that time his boss said his work had improved and he got a raise. And he seemed to get along better with his wife and he didn't find so many reasons for growling at the kids. Don said he got a big kick, when the credit union paid him a dividend on his savings. 'Imagine me getting a dividend,' he said, 'why never in my life have I received any of the money they use for dividends. What's more,' he continued, 'I am a part owner of that credit union baby. Once a year we owners hold a membership meeting and I have just as much say as the next guy, even though I may have only twenty-five bucks in it and he has \$500. It's great. Lincoln freed the slaves and the credit union is freeing us dollar slaves.

## Jim's Story

"And I always remember what the credit union did for Jim. He was a quiet guy, pretty well liked by the fellows. He was an electrician. About a year before the first treasurer of the credit union left the company, Jim was elected to the board of directors, and then when the treasurer's position was open, the board elected him. He

was reluctant to accept, but they convinced him he could do it. He always was a timid guy. Boy, did a change come over that fellow! He seemed to go right to town. He literally ate, drank and slept credit union; it was like a religion with him. And the credit union's size and membership soon doubled. I asked him one time why he did it. He looked at me for a moment and said: 'Why I do it? Well, I have always felt that people could do things better for themselves, if they only tried, but I looked in vain for a practical demonstration of this feeling until the credit union came along. I could go on for hours citing case after case where members of this credit union have helped themselves—operations, births, funerals, homes bought, old bills paid, children educated, thrift accounts and habits developed. A feeling that this credit union is theirs and that it puts their money to work for them not against them. A realization that they, the members, and officers, average men and women can efficiently and honestly manage their own money, that they no longer need to have so called super men do it for them. It's touching to hear the members tell you how it's mighty comfortable to know that if you need a loan you can get it from your own organization, without crawling through a knothole, and what's more at an honest reasonable rate of interest.

"I could go on and on," continued Jim, 'but I must also confess that the credit union has helped me develop knowledges and skills that I never dreamed I would ever possess. For example, being on the board, has taught me how to work with a group, how to discuss and develop an idea or plan so that we all get behind it and put the project over. Since I have been a treasurer I have learned how to keep a set of books. How to manage an organization democratically constituted such as a credit union is. I have learned how to prepare reports for director's meetings and membership meeting. I have acquired a working knowledge of parliamentary procedure. I don't get scared stiff any more when I speak to a large group. My conception of business practices, of credit granting, collections, advertising, insurance, bonding, auditing, etc., well, it just ain't what it used to be. Oh yes, our credit union participates in the chapter activities and we have always been a member of our state league. I have served as president of the chapter and last spring at the league's annual meeting the delegates elected me to the league board of directors.

"I really never realized until now the many grand persons I have be-

come acquainted with in credit union work or the broadened perspective with which I now view things.

"You hear much about winning the peace,' concluded Jim, 'but an honest, lasting peace will only be acquired when the peoples of the world have both economic and political democracy. You won't have true political democracy until you have economic democracy. To achieve the better world of tomorrow, you and I and all of us have got to do something today and tomorrow and every day. In a credit union you have the combination of economic and political democracy. Every effort you and I and all of us put into operating good sound service rendering credit unions, means that in our little way we too are building for a happier more peaceful tomorrow.'

"Jim got a big promotion the other day; for it seems the boss had been watching Jim's development and told him that he had grown into just the man he was seeking for the new responsible position.

"Thanks, Mr. Reader, for your help, and many thanks to you, Don and Jim. You have helped me to decide. You opened my eyes to a grand opportunity, I hope I will not be found wanting. I shall tell Bob that I would be extremely happy if the nominating committee would accept my name as a nominee for the board."

### What Members Say

Remarks of some of our members:

- ▶ "It certainly makes me mad at myself to think I was so bullheaded as to miss out on a couple of years of credit union membership. I can borrow money elsewhere, but the credit union is better."
- ▶ "I like to come to the credit union because I get personal consideration—I'm not just another somebody looking for a loan."
- ▶ "We get courteous service here." "The credit union has been a great help to me."—And so it goes from day to day.—THE CREDIT UNION PROVIDENT, published by N. P. Ry. Fargo Employees Federal Credit Union.

### \$1,000,000

"One Million Dollars in '43, to help our boys to Victory," was the slogan of the Chaco Credit Union, serving employees of the Champion Paper and Fibre Company in Hamilton, Ohio. It reached this goal on Armistice Day when the bond taking it over the top was delivered to Leo Winkler.

The credit union has 1,800 members, \$175,000 in assets, and has made loans totalling \$750,000 since its organization in 1938. Cal Skillman is the treasurer.



Joe Huff, member Columbian Credit Union, Kansas City, Missouri, has given more blood since 1937 than the average five persons contain in their bodies. The 28 quart cans indicate amount he has given.—"Acme" photo.

### \$5,500,000,000

\$5,500,000,000 is the quota for individual War bond purchases in the fourth war loan drive, which will run from January 18 to February 15. Although the drive will only run four weeks, all sales made between January 1, and February 29 will count toward the individual sales quota.

The quota set is \$200,000,000 in excess of actual sales to individuals in the third war loan drive last September.

The quota set for the entire drive is \$14,000,000,000.



To pay all those bills on time, so as to save discounts; avoid embarrassment and worry. A convenient credit union loan helped a lot.

# Cross Word Puzzle ▶

(Answers on page 23)



## Credit Union Quiz

In the parentheses following each question are four alternative answers. Check the one you think correct. Correct answers will be found on page 23.

1. In the United States and Canada there are how many credit unions? (a—10,432; b—9,981; c—11,474; d—13,871.)

2. Who was the founder of the first credit union in North America? (a—Raiffeisen; b—Desjardins; c—Schulz-Delitzsch; d—Pierre Jay.)

3. The supervisory committee of a credit union is responsible to whom? (a—the board of directors; b—the supervisory authorities; c—Cuna; d—the members of the credit union.)

4. The Federal Credit Union Act, making it possible to organize credit unions in every one of the United States, was passed when? (a—in 1909; b—in 1920; c—in 1934; d—in 1933.)

5. What state passed the first credit union act? (a—Washington; b—Massachusetts; c—Ohio; d—California.)

6. The average credit union member's share account contains how much? (a—\$92; b—\$125; c—\$89; d—\$87.)

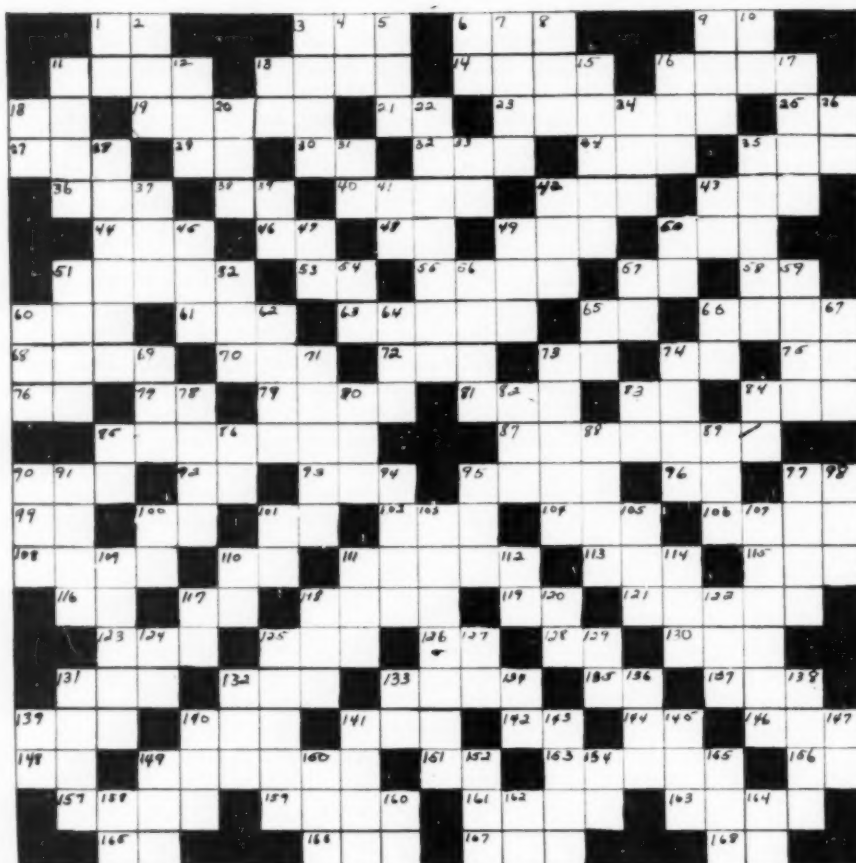
7. Cuna Mutual Insurance Society is an affiliate of the Credit Union National Association. What is another? (a—Cuna Life Insurance Company; b—Cunadex Society; c—Cuna Filene Association; d—Cuna Supply Cooperative.)

8. There are how many credit unions in Canada? (a—1,611; b—2,084; c—3,182; d—1,940.)

9. There are how many credit unions in Hawaii? (a—49; b—96; c—103; d—82.)

10. Credit unions are organized for what two-fold purpose? (a—to fight usury and help the little man; b—to stop installment buying and encourage frugality; c—to regulate borrowing and fight the loan shark; d—to promote thrift and provide a convenient source of low-rate credit.)

Bound volumes of THE BRIDGE for 1943 are available at \$3 each



### Horizontal

1. Note well
3. Haug back
6. Each
9. North America
11. A Credit Union service
13. In Nevada
14. A Nervous malady
16. Fee
18. The man
19. Legal evidences
21. A verb
23. Wields blue pencil
25. Like
27. Maximum per cent interest credit unions' loans may earn per month
29. Perform
30. Yes
32. An Australian bird
34. Fasten
35. Also
36. Period of time
38. Mixed type
40. Nominate
42. Pluts
43. Rich rock
44. Any color, just so it's .....
46. In order that
48. Tuberculosis
49. Dry grass
50. A limb
51. Caper
53. Northeast
55. Uncanny
57. United States
58. Atop
60. A beverage
61. Shell
63. A cardinal direction
65. That verb again
66. A vehicle
68. Injury
70. This rock is basic
72. Prized medal
73. A similar verb
74. Act
75. Pennsylvania
76. Like
77. Article
79. Dry
81. Possessed
83. Iridium
84. Contacted
85. Without help
87. Annual one basic credit union control
99. Means of travel
92. Egotistic pronoun
95. Eastern country
96. Post office
97. Doubles (some times halves)
99. Railroad
100. Southeast
101. Police Department
102. Fifty so (this is a catchy one, of which we are not proud)
104. Drink slowly
106. Sportsmen usually pass these by
108. Picnic pests
110. Georgia
111. A small green vegetable
113. Above all
116. Senior
117. District Attorney
118. A widely spoken language
119. Associated press
121. Uncooked bread
123. Popular with armed forces
125. Plaything
126. Two
128. There
130. Their Royal Highnesses
131. Hostel
132. Boy's name
133. Girl's name
135. Imaginary land
137. An Indian
139. A houseboat
140. Brother
141. English
142. The man
144. Transportation system
146. Unhappy
148. Yes
149. Widely read by credit unionists
151. South America
153. An addition to a bond
156. Road
157. Alone

159. Let go for a price
161. International association
163. A bird
165. Postscript
166. Eats in quickly
167. It sticks out
168. Physical education

### Vertical

1. Can
2. Proclamation
3. Not so much
4. Article
5. A gazelle
6. Father
7. A variation of 30
8. A bar
9. Neither
10. American League
11. Credit unions do this
12. Shake head
13. About
15. Nickname
16. Sticks out
17. Passageway
18. Exclamation
20. At peak
22. Run credit union
24. A contraction
26. South Dakota
28. A worker
31. Enclosed
33. Not you
35. Protection
37. So far
39. Asserts fact
41. There
42. Credit union memberships do this
43. Alternative
45. To immerse
47. Atop
49. His Royal Highness
50. Like
51. Too bad
52. A male swan
54. One-half em
56. To corrode
57. That's good!
59. Part of neck
60. Laugh
62. Breathless
64. Queer
65. So
66. That way
67. Welcomes
69. Male
71. Fearful
73. Educational committee tools
74. Pour minutely
78. Call
80. A chemical suffix
82. Friend
83. That thing
84. Magnesium
85. You and me
86. That is
88. Send forth
89. Shake head
90. Woman's apparel
91. Ceremonial receptacle
94. Tiny creature
95. Help!
97. Girl's name
98. Suffix
100. Steamship
101. Father
103. Credit union members accumulate
105. Shell
107. Symbols of nothing
109. Carrying case
110. Gallium
111. A layer
112. Each
114. A vessel
117. Act
118. Grassy ground
120. Dad
122. Uruguay
124. Tin
125. Amphibians
127. Enclosed
129. Sign of infinitive
131. A flower
132. Three part
133. Article
134. For the doctor
136. At last
138. Gain
139. So
140. From
141. Shippery
143. A sea eagle
145. Rent
149. Barrels
150. Gelatine
152. Perform
154. Iowa
155. Knock
158. Opus
160. The
162. Union Oil
164. About



## Membership Drive

The First Annual International Credit Union Membership Drive began on November 1, 1943 and will end February 15, 1944. The goal set for the drive is 500,000 new members, which means that each credit union should increase its membership on the average at least by 12½ per cent.

ship had dropped from 39 to 35 per cent. Does anyone need a better argument for a membership drive than this most uncomfortable and uncomplimentary fact that our membership is decreasing; that we are reaching in existing credit unions only 35 per cent of our eligibles?

How are we going to get our members to save more and to get more of

for a hundred thousand credit unions in the United States and your organization job is 10 percent done. You alibi on account of the war without half appreciating that the American people will need the credit union after the war as never before. Even your existing credit unions reach less than half of their eligibles. Your largest credit union isn't reaching a quarter of the people eligible to it. Lift your sights! Have a membership drive. Make every member see his responsibility to bring in more members. Keep driving from now on. Get ready for post-war America when the credit union will have a prodigious service to render to *all of the people—not to 10 per cent of the people inadequately, but to all the people adequately.*

That's what Filene would say. We would be sternly admonished to get on with the membership drive; it alone would have his blessing.

# Why a Membership Drive?

by Roy F. Bergengren

DISCUSSING the membership drive with a credit union treasurer he asked me: "Why should we try to get more members when we can't loan out more than half our money now?"

The best way to answer this question is by asking him a few. "Is your credit union of value to its present members?" If his answer is "yes" then it's logical to conclude that new members would get an equivalent value from their membership, thereby increasing the over-all service of the credit union.

Then we should ask this doubting treasurer: "What is going to be the greatest need of average men after the war?" He would probably answer "Jobs". Then we would ask him how the average of us are going to get along between the end of the war and the resumption of normal manufacture after the war and he would almost inevitably answer "Savings." Then we would have him because average savings in credit unions are right now less than \$100 per member. That obviously isn't enough and the average non-member's savings are even less than average member's savings. The credit union is acknowledged to be the best plan ever invented to assist average people to accumulate savings. For the moment dividends are of no importance at all. Credit unions are still lending hundreds of millions of dollars annually for much needed purposes, but right now our bigger job is to get the people to accumulate enough savings so that they will be ready for whatever may happen after the war.

This is the time to be accumulating fuel against what may be a considerable cold spell and the fuel which alone can be converted into what it will take after the war to get readjusted—is money.

SOMETIMES I am impressed with the fact that we lower our sights on too small provocation. I was looking over the 1942 Federal credit union figures the other day. The percentage of actual membership to potential member-

our eligibles saving something? That's the challenge of the New Year. It is a challenge to every credit union board of directors.

In the early days I always, in the process of organizing a credit union, pointed out that the directors were the salesmen, that periodic membership drives should be initiated with the responsibility placed definitely on each member of the board to personally contact so many eligibles and to sign them up. Now I would go a step further and extend this responsibility to existing members. It is their job to see to it that the benefits of the credit union reach more people by going after new members. And this can be done only by organized, sustained effort. It's a job we all share.

EVERY NOW AND THEN a credit union must take account of stock. New Year's is the best day for that because New Year's Day is always an invitation to a second chance.

And this stock-taking process should bring us back in our thinking to our Founder, Edward A. Filene. I knew him better than anyone else did. If I were asked to point out the most outstanding characteristic of this many-sided man I would say: "Filene was never satisfied. If you had a dozen chores to do for him and did eleven of them well he would take the eleven successes for granted and would be bitterly disappointed over the twelfth chore."

Filene was never interested in yesterday except as we might learn from yesterday's mistakes. If he could visit our national office to-day I know that he would be disappointed with our membership progress. He saw the credit union as an instrumentality of service to a hundred and thirty million people. We would alibi on the grounds that we had done some things well and that wouldn't interest Filene.

"Don't bother me with boasting" he would say. "The credit union movement is bound to advance anyway. Look to your mistakes. There is need

## What IS the Interest Rate?

Credit union members often buy merchandise on time when it would pay them to borrow from the credit union enough so that they could pay cash. This may even be true where there is no quoted "carrying charge," for the merchant may be willing to make a reduction from the listed price if cash is paid. Smart credit union members find it a good idea to ask what the charge would be for cash, when dealing with credit houses.

Here is a formula to determine "for all practical purposes" what the interest charge is when all the installment payments are of equal amounts:

$$\text{Rate per year} = \frac{2mI}{B(n+1)}$$

$m$  is the number of payments in 1 year (12 for monthly payments; 52 for weekly payment).  $I$  is the total carrying charge, or interest, in dollars;  $B$  is the unpaid balance at the beginning of the credit period (the cash price less the down payment).  $n$  is the number of payments, not counting the down payment.

For example, suppose John Doe bought on credit for \$110 some goods which he could have had for \$100 cash. He paid \$10 down and \$10 per month.  $m$  is 12;  $I$  is 10;  $B$  is 100; and  $n$  is 10. Inserting these amounts in the

$$\text{above formula we have } \frac{2 \times 12 \times 10}{100 \times 11}$$

or 22 per cent which is the approximate interest rate John paid, as compared with the 12 per cent he would have paid if he had borrowed the \$100 from his credit union and paid cash for the goods.

# Our Readers Write—

## Mr. Pro Overlooks

(The following letter from the September BRIDGE is the one responded to in the letter following it.)

To the Editor:

In the discussion on page 166 of the July issue regarding patronage dividends, Mr. Pro overlooks one of the fundamental principles of the Rochdale Cooperatives, namely that the goods shall be sold at prevailing market prices. If this were so in credit unions, i. e. the same interest rate charged to borrowers as that charged by the loan companies then there would be plenty of profits to take care of patronage dividends. As it is, however, the borrower is already favored by a low interest rate and the saver in many cases does not get enough incentive in the form of dividends to keep him saving.

If the credit unions were to operate as Rochdale Cooperatives and return all the profits to the consumers, i. e., the borrowers, there would be no savers and the necessary funds would have to be obtained from the banks. This is what the small loan companies do, and they make a lot of money, so it would probably be a feasible *modus operandi*, but it would defeat one of the major purposes of the credit union movement, the inculcation of habits of thrift and the opportunity for maintaining these habits among its members.

It is my personal opinion that in the majority of cases the financial benefits of the credit unions are too largely reaped by the borrowers now. In our own case the shareholders are getting less than they would from War Bonds held to maturity.—Very truly yours, David B. Andrews, President, General Airline Employees F.C.U., Rensselaer, N. Y.

## Also Overlooks

To the Editor:

In your September issue your correspondent on Rochdale cooperatives and credit unions (see above) also overlooks.

He overlooks the fact that "selling at market prices" is not one of the cooperative principles, as they are enumerated by the International Cooperative Alliance:

1. Open membership
2. Democratic control
3. Dividend on purchases
4. Limited interest on capital
5. Cash trading

6. Political and religious neutrality
7. Promotion of education

"Market prices" is almost always the best policy, but is sometimes for good reasons disregarded among the best cooperatives, including the Scandinavian.

Credit Unions are so far Rochdale cooperatives, that they even go so far as to imitate their follies.

There are very many cooperatives, including those in England and Scotland who pay more for their capital than they need to. This is a mistake that credit unions and cooperatives make which private financiers do not make. I cannot imagine the heads of a brokerage house offering five per cent interest on bonds when it knows it can sell them all at two per cent. But that is what credit unions do by a vote of their membership. But in this matter it must be said for the members that there are others more at fault than they. They are misled by their directors. The members are usually mostly uninterested in dividends, while the directors act as if not service but dividends were the measure of their success.

## How Low Is Low?

It is true as the letter says, the borrower is already favored by a low interest rate. But how low is low? I thought we went into business to give the borrower the lowest rate we could give. Aren't most of us charging the ceiling price of one per cent per month? How then can we call the rate low, when we charge all we can under the law?

Since when did the rate of dividends have very much to do with saving, or the incentive to it? I wonder whether the treasurers will tell us what really happens. I think they will say that a high rate draws large investors like flies, and very few savers. And then the board has two alternatives: Either cut the rate, or cut the capital. To cut the capital is to stop people at a certain point in their saving progress. This is to go against our primary purpose as credit unions. Some do a little of both, and find it is not enough. The only real remedy is to cut the rate of dividends, and let the share capital rise as high as we can get it to, for aren't we preparing for a rainy day?

Banks have been steadily reducing interest on deposits for ten years. And deposits have been steadily rising for ten years. Does this indicate any-

thing to us amateur bankers? Or are we among the blind who will not see?

The banks have been working in many ways toward safer deposits. They learned their lesson. Are we making our credit unions stronger or weaker when we take funds out of undivided profits for dividends?

People will save without any dividends at all. They do not save for dividends or interest. Who would walk long distances, to a bank, stand in line for a half hour, and walk back again, just for the sake of interest? In twelve months a man who had done that 24 times would earn today less than \$1.50 on \$300 in savings. At one per cent, starting January 5 and July 5, he would receive exactly \$1.50 on the \$50 he had on deposit on July 5. So he would have 6¼c per trip. These are facts. People do deposit regularly, and they do receive 1 per cent or less these days and they certainly are less than shrewd if they do it all for 6¼c for each trip to the bank.

## Credit Unions Safer

I believe they do it because they feel the bank is both the safest and the most convenient place for their money.

I would remind the gentleman that credit unions are a safer place, (consider their record in March, 1933). They are a more convenient place (on the grounds of their place of employment or at their church or union). And they are a better place, because they are doing a more humane and charitable service with their funds.

I believe we must educate our members to these simple facts. I believe we have been misled by dreamers who are always self-assured and ready to tell us what people will or will not do. You and I know as credit union officers what as a matter of fact they really are doing. The problem is one of education rather than dividends. . . .

I would ask the writer to think this matter over. In teaching members to expect dividends are we teaching them habits or thrift, that is of saving for a worthier and larger purpose what they themselves have earned? Or are we going back to the philosophy of '28 and '29 and building up hopes of getting rich without work?

When the day comes that credit unions use all their energies to really teach the habits of thrift, they will need no crutch of dividends to lean on. Dividends do not make it possible to "maintain the habit of thrift." If they



do then they fail where we need them most, today. Because this year will be a low-dividend one, and in no year in history have we had such need to save, to prevent inflation, and to live when the lean years come. Dividends this year show themselves for what they are, a snare and a delusion.

The real "financial benefits reaped by the borrowers," are both the blessing of credit, when it will help, and the learning of the habit of thrift, where the credit union is wise enough to teach it.

### Interest Paid a Loss

And these are moral human benefits rather than financial. Otherwise there are no "financial benefits," but a financial loss. The loss is the interest paid. The loss is less than with other lenders. But just because it is a smaller loss does not make it a benefit, any more than a crime by being a small one, becomes a virtue. We are imposing a financial loss, and a moral gain. We are teaching the borrower to get ahead, and charging him one per cent a month for lessons.

This is a cheap thing to do, in two different ways. And some day the credit unions of America will wake up to the fact that they are more than banks, they are educational institutions as well, and will take pride in their prowess as educators, rather than in the cheap little nickel and dime business of dividends and interest.

Your correspondent says that in his case the shareholders are getting less than the holders of war bonds, and I would remind him that the holders of war bonds are getting less than the holders of Liberty Bonds got, because we have come a long way in our thinking since then. And his shareholders deserve less because they do not have to tie up their money for ten years, but for one or less.

And even if they got no dividends at all, they still have a safe place for their money, where they can leave it, and forget it, and have a good night's sleep. They have a convenient place, where they can leave it and get it again any time, just a few steps from their work or their church and where they mostly do not wait in line. They have a dignified place, run on an efficient system, and an obliging treasurer who gets less than he is worth, and considers it part of his pay if he can help his fellow men. They have a board that gives its time and earnest thought, while the members are bowling or otherwise seeking relaxation.

And I believe American working-men appreciate these things, and are not half as anxious for a dollar or two in dividends as their officers imagine they are. . . .

If you want my experience, I will say that I know of credit unions who have paid no dividends for three years, and they have increased their assets faster than some which paid 5 and 6 per cent. This is not imagination nor theory, nor "what people will do." Those are facts. Don't ask me how they did it. I think directors have much to learn in learning the facts. The "hows" and "whys" can come later.

In conclusion, let us put it this way: If you are in this thing for profit, drop your charter and go into business as the "Rensselaer Finance Corporation," and charge the limit and make some real money, and I will respect you as a good business man. If you are in this thing to help the borrower with brotherly advice and a low interest rate, then forget dividends and get busy thinking up ways to help him and I will respect you even more as "one who loves his fellowman."

### Get Down to Business

But when you go into business as a credit union to help your fellowman and get him an interest rate as low as possible, then get down to business and do that service, and don't be wasting your time over nickel and dime dividends, which will mostly go to the large shareholder who will not even so much as give up an evening to come to the annual meeting and vote them to himself. (Presidents and annual meeting committees, say am I right or wrong.)

We are in this thing for service. We have the opportunity to render service to the tune of a hundred million dol-

lars. Let's grow up and quit boasting of small amounts like dividends, that very few except the officers care about anyway. We are too big for that brand of cheapness. When are we going to wake up to the fact of our real importance and opportunity? I hope this year of high assets and low loan balances will be the year we will learn.

I remain yours for better and better credit unions, that is financial Rochdale cooperatives.—(Rev.) M. E. Cummings, St. Joseph's (Collinwood) Parish FCU, Cleveland, Ohio.

### We in North Carolina

To the Editor:

. . . . I wish to compliment you on your splendid articles which have been recently appearing in THE BRIDGE and assure you that I am "putting in a plug" for THE BRIDGE whenever possible. We in North Carolina feel that THE BRIDGE is one of the finest contributions to the credit union movement in America—D. R. Graham, superintendent Credit Union Division, North Carolina Dept. of Agriculture.

### New Credit Unions

Ontario led in the number of credit unions chartered in November with 3, according to reports received by Cuna. Illinois, Kansas, Ohio, and Missouri, and Ohio each accounted for 2, with the following states following along with 1 each: California, Georgia, Louisiana, Massachusetts, Michigan, New Mexico, New York, Pennsylvania, and Saskatchewan.

In all 20 charters were granted. Three liquidations made the net gain 17.

## What Does Tommy Like to Do?

Tommy likes to do, so the saying says, what Tommy does well. Just so credit union owners (from the presidents to the newest of new members, including you) like to run credit unions when they run them well.

A tool to help them (to help you) do this is this magazine THE BRIDGE. It brings the benefit of expert technical advice, and the successful experiences of many credit unions.

At this time, then—if you have not already done so—won't you join the growing number of Bridge subscribers (annual fee: one dollar).

You will find it personally worthwhile and your support will help us make each issue increasingly valuable.

**THE BRIDGE**

**Madison 1, Wisconsin**



## WHERE THE FUEL GOES



A HEAVY BOMBER cruising at a speed of 250 m.p.h. may use 200 gallons of gasoline in one hour.

V-659-A

OWI

### Wise Men Say—

- ▶ Economy makes happy homes and sound nations. Instill it deep.—George Washington.
- ▶ Teach economy. That is one of the first and highest virtues. It begins with saving money.—Abraham Lincoln.
- ▶ Economy no more means saving money than it means spending money. It means . . . spending or saving, whether time or money, or anything else, to the best possible advantage.—John Ruskin.
- ▶ Credit unions destroy apathy, which is the opiate of democracy—The Honorable Gordon S. Wismer, Attorney General for British Columbia.



**Dear Joe:**

"Your credit union is proud of you and is trying with all its might to back you up on the home front. In addition to buying and selling war bonds, we are helping our members fight inflation now and depression later with strong thrift programs. Then, too, we are helping them stay on the job, and work their hardest, with loans to take care of emergencies and real needs."

## \$1 In; \$2.77 Out

For every dollar requested on credit union loan application, the applicants have at least \$2.77 borrowed from other loan agencies.

This is the conclusion of Dr. D. E. Warner, writing in the Texas Credit Union League Bulletin, in an analysis of a summary made of 100 consecutive loan applications received by a Texas credit union.

Of these applications, 17 percent showed no outstanding debts. Each of the remaining 83 percent showed from one to nine outside debts (made with banks, installment firms, doctors, hospitals, loan sharks, and individuals).

After noting that the outside debts amounted to \$2.77 for each credit union loan dollar applied for, Dr. Warner continued:

"The \$2.77 average in my opinion is an understatement. Some borrowers believe they should not be required to report certain kinds of debts. Others believe they should not be required to report any debts when they furnish collateral for the credit union loan. Others with a large list of creditors just forget to record all their debts. Outside debt reports are unpaid balances and the applications are for the full amount of the original loan.

"I am not acquainted with the 100 individual borrowers but believe them to be average credit union people. If that is correct I believe we are safe in assuming that the borrowers of many other credit unions carry marked amounts of debts with outside agencies.

"Many times prior to Regulation W my attention was called to outside borrowings. As I recall, without any assembled records, those outside borrowings ranged from 5 to 10 times the amount of the borrower's credit union loan, with an extreme case where the credit union loan was \$150 and outside debts, \$2,800.

" . . . I find that most outside true interest rates range from 16 to 85 percent or higher with a probable average between 30 and 42 percent. Many 'respectable racket' rates have gone up materially under Regulation W.

"Right now many a credit union would have a grand and glorious feeling if it could take over 50 percent of the loans its members carry with outside agencies. With so many loans going to outside agencies at higher rates and less service, just what is wrong? My broad answer is that the credit union movement has not been sold to the members in a big way."



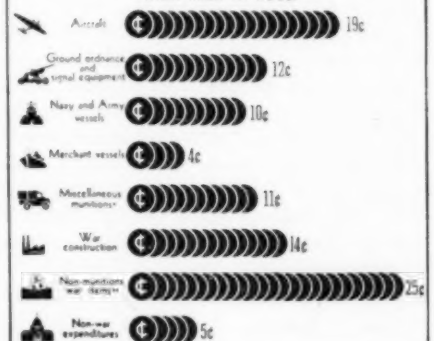
Mrs. Frances Buss, teller of the Kearney & Trecker Credit Union, West Allis, Wisconsin, pointing to a poster in which her credit union features the car-card advertisement being carried in 414 Milwaukee County street cars and buses under the sponsorship of the Milwaukee credit union chapter.

### It's a fact that—

- ▶ Dollar bills equivalent to the total assets of credit unions in the United States, if laid end to end would reach around the world, and 2½ times across the country.
- ▶ If those were ten dollar bills, they would reach from New York to San Francisco and out into the Pacific Ocean 115 miles.
- ▶ In El Salvador the supervisory committee of their thrift and loan cooperatives is known as "La Junta de Vigilancia" (The Board of Vigilance).
- ▶ The top ten states and provinces in the number of credit unions are Illinois, 841; New York, 823; Ohio, 671; Pennsylvania, 638; Quebec, 610; Wisconsin, 598; Massachusetts, 563; California, 473; Texas, 414; and Missouri, 397.

## YOUR TAX- AND BOND-DOLLAR

HOW THE GOVERNMENT SPENDS IT  
(First Half of 1943)



\* Automobile vehicles and equipment, clothing and personal equipment and other expenses

\*\* Pay, subsistence, travel for armed forces and civilians, agricultural commodities for export and manufacturing expenses

### "Not 12 Per Cent, But 42"

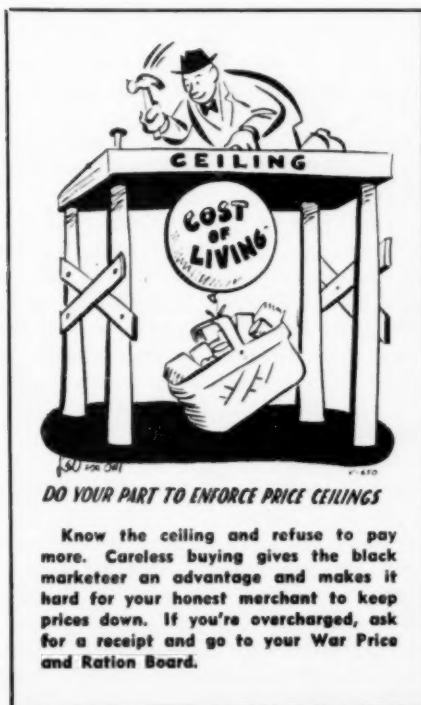
Anthony Lehner, of the Pennsylvania Farm Bureau, tells the story of a farmers' meeting at which the organization of a credit union was being discussed.

When he learned that credit unions commonly charged a net interest rate of 12 per cent per year, one well-to-do farmer spoke up, "I don't believe there is a farmer in this territory who pays 12 per cent. If he does, he won't stay on his farm very long."

At a later meeting the man was asked, "Mr. Brown, what would you think if we would tell you that there are 154 of your neighbors who are paying—not 12 per cent, but 42 per cent, for money they need so desperately in their farming operations?" (They had referred to recorded chattel mortgages which revealed that these neighbors had pledged tools, equipment, and livestock for 42 per cent loans amounting to from \$50 to \$300.)

"I simply would not believe it," Mr. Brown snapped back. But after being shown the evidence he exclaimed, "By Jove, if that is the condition in our country, it is high time that we do something about it. Perhaps the credit union is the answer."

"And it was!" Mr. Lehner concludes. "Although Mr. Brown's financial position was such that he did not have to worry about the credit union as a source of credit for himself, he became one of its staunchest supporters, because he saw in it as valid a community project as his farm supply co-op is, of which he is a director."



## Cuna Supply Cooperative\*

Madison 1, Wisconsin

### *\*What is Cuna Supply Cooperative?*

► IN 1936 credit unions, through their state leagues, organized their own supply cooperative. Through it they undertook to produce or obtain their own supplies, designed to meet their precise needs, at the lowest possible cost. Starting on borrowed capital, their cooperative now has a net worth of over \$35,000—with a plentiful stock of operating and promotional-educational aids designed especially for credit union service.

► This stock includes: all state forms . . . all federal forms . . . all forms required by Regulation W . . . Cunadex . . . interest calculators . . . dividend calculators and work sheets . . . blotters . . . posters (of which the above is one) . . . payroll and passbook inserts . . . war bond envelopes . . . Victory buttons . . . bookmatches . . . leaflets . . . pamphlets . . . books . . . literature racks.

► Your credit union can benefit from this cooperative endeavor by ordering its supplies from your state league if it stocks them, or directly from

Cuna Supply Cooperative, Madison 1, Wisconsin.

# WARNING DON'T MAKE THIS COSTLY MISTAKE

## YOUR CALENDAR OF TAX DATES

Dec. 15, 1943—Correct Sept. 15 declaration. Pay balance of 1943 tax as estimated.

Mar. 15, 1944—File 1943 return, pay tax; file 1944 declaration and pay  $\frac{1}{4}$ ; pay  $\frac{1}{2}$  of unforgiven tax.

June 15, 1944—Pay  $\frac{1}{4}$  of 1944 tax. If needed, correct 1944 declaration and adjust payment.

Sept. 15, 1944—Pay  $\frac{1}{2}$  balance of 1944 tax. If you correct declaration, pay  $\frac{1}{2}$  of new balance.

Dec. 15, 1944—Pay balance of 1944 tax; file any amended declaration.

To Act Correctly On These Dates, You Will Need This Book

Even though your employer is now withholding your Pay-As-You-Go Tax, you **MUST NOT FAIL** to file an Income Tax Return. Learn what steps to take right now:

**D**ON'T think Pay-As-You-Go has solved all your Income Tax problems! They're more complicated than ever! Good Catch! Even if you didn't have to file declarations in September or December, you *must* file a return on March 15th. You may have extra taxes to pay—or less 1942-43 tax than you think. There may be legal deductions you do not know about. More than ever before, you **NEED** this book!

# YOUR INCOME TAX

AMERICA'S MOST WIDELY USED TAX GUIDE—OVER 5,000,000 COPIES SOLD!

**1.** Tells EACH and EVERY deductions to which you are justly entitled, many of which your tax blank does not tell you about.

**2.** Tells how to prepare your income tax return QUICKLY and CORRECTLY... thus availing future assessments, penalties and interest charges.



**T**HE new Pay-As-You-Go Plan is full of difficulties. Penalties for incorrect reporting run up to 10%. You must consider the Victory Tax, amount withheld, amount already paid, amount forgiven (and when to pay the unforgiven remainder).

"YOUR INCOME TAX" by J. K. Lasser, C.P.A., is the **BIGGEST SELLING** guide for keeping taxes at the proper level! So *understandable* that **FIVE MILLION PEOPLE** have found it indispensable. So *authoritative* that Internal Revenue officers use it!

The New 1944 Edition—now ready—gives you the A-B-C's of Pay-As-You-Go in such clear, simple instructions you can't go wrong. All about payments, declarations, withholdings, deductions, forgiven taxes. Complete tables show taxes you must pay for both 1942 and 1943. Guide to *every line* on your 1944 income tax blank! Tells the particular deductions for *all leading types* of occupations—laborer, office worker, doctor, engineer, executive, farmer, government employee—312 in all!

## You Need This Book NOW

This \$1 book saves your time, helps you pay your correct tax, avoid later assessments. Shows the tax procedure you are legally required to follow, tax deductions you are legally entitled to take; prepares your returns quickly, correctly; keeps taxes down to proper amount; saves you and your government costly delays, adjustments.

**ONLY \$1.00**

Gives many steps you can take *right now* that will save you time, labor, perhaps considerable money! Remember this year you can't "put it off" until March 15: **TAXPAYING IS NOW A YEAR-ROUND PROPOSITION!** Mail coupon below for this book NOW!

## CUNA SUPPLY COOPERATIVE Madison 1, Wisconsin

Please send me.....copies of the New 1944 Edition of "YOUR INCOME TAX" at \$1.00 each. I am enclosing remittance herewith.

Name.....  
PLEASE PRINT PLAINLY

Address.....

City..... State.....

## THIS BOOK TELLS YOU:

**95** Steps to Take Before the End of This Year; Legal Alternatives Which May Reduce Your Taxes.

**192** Legitimate Deductions Which May Be Made by Salaried People.

**176** Items You May Exclude from Gross Income.

**117** Legitimate Deductions Based on Household Expenses.

**49** Different Federal Taxes Deductible by An Individual.

**190** Items That Are NOT Deductible.

**257** Deductions Which May Be Made If You Are Engaged in a Trade, Business or Profession.

**73** Types of Compensation, Dividends or Interest That Are Not Taxable or Where Tax May Be Deferred.

**93** Changes During 1943 Caused by Statutes, Rulings, Decisions.

## Special Sections For:

Your Own State Income Tax.

Members of Armed Forces, Husbands and Wives, Farmers.

## Coming Events

February 12-13—Cuna Mutual Insurance Society Board of Directors meeting, Hotel Pennsylvania, New York, New York.

March 4—Ontario League annual meeting, Royal York Hotel, Toronto.

March 25—Kentucky League annual meeting, Kentucky Hotel, Louisville.

May 12-13—Cuna Mutual Insurance Society annual meeting, Madison, Wisconsin.

May 20-21—Wisconsin League annual meeting, Hotel Pfister, Milwaukee.

## Teachers' Need Great

Teachers have a special need for credit unions. This is one of the conclusions to be drawn from the following startling statistics published in THE PHI DELTA KAPPAN, professional educational journal.

Forty teachers in every hundred—about 360,000—were paid less than \$1,200 for the school year 1942-43. Nearly 8 in every 100—68,000 in all—were paid less than \$600 for the past school year.

Low salaries for teachers are typical in the Southern states but they are by no means limited to that region. At least 169,000 of the teachers receiving less than \$1,200 last year were outside of the Southeastern and Southwestern states; 15,000 receiving less than \$600 a year were likewise in states other than the Southern states.

There were about 61,000 Negro teachers in Southeastern and Southwestern states where schools are segregated and salaries differentiated. About 53,000 of these Negro teachers were paid less than \$1,200 per year; about 30,000 were paid less than \$600 a year.

Only two of the 48 states (and the District of Columbia) report that no teachers were paid less than \$1,200 for the year. Nearly 15,000 teachers in Pennsylvania, 23 per cent, were paid less than \$1,200. The percentage is even higher in Illinois, where about 30 per cent, or some 14,000 teachers, received less than \$1,200.

Twenty-six of the 48 states employed teachers at less than \$600 a year. In Mississippi and Arkansas half or more than half of the entire teaching staff were paid less than \$600 a year. In Maine, every sixth teacher was paid less than \$600. More than 4,500 teachers in Kansas—one in five for the state—received less than \$600 for the year's work.



## Three Questions

*When should I depend upon my credit union savings?*

It is generally agreed that credit union savings should be accumulated to take care of all short term needs and desires which cannot be provided for out of current income, and which can wait until sufficient funds are saved without causing the credit union member injury or undue discomfort. For example, vacation funds, Christmas funds, clothing funds and, in fact, all foreseeable expenses are best provided for by credit union savings. All non-essentials—luxuries and semi-luxuries—should come from current funds, or savings, or not obtained.

*When should I depend upon credit union loans?*

It is thought wise to use credit union loans whenever funds are immediately needed for health or personal efficiency, and when savings therefore are not available. For example, loans to provide needed medical attention, needed or desirable education, needed or desirable tools, are good loans. A loan to provide weatherstripping for the house and thereby cut down heat bills would fall in this category. As would a loan to a housewife to replace a broken down washing machine.

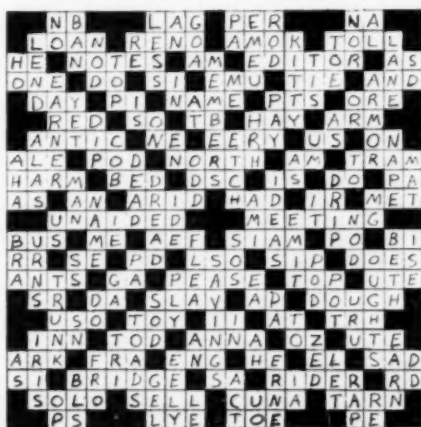
*When should I depend upon savings in war bonds?*

All possible funds should without doubt be placed in war bonds after adequate, but no more than adequate, provision is made for current and imminent needs—to provide for the country's (your) urgent needs, and for your post war plans (for a house, a new car, a new radio, new refrigerator, new stove, or what-have-you).

## Credit Union Quiz Answers

Here are the answers to the Credit Union Quiz on page 16: 1—c; 2—b; 3—d; 4—c; 5—b; 6—a; 7—d; 8—a; 9—b; 10—d.

## Cross Word Puzzle Answers



# You don't know how rich you are!

**YOU** own a credit union.

That means that you own your own bank—a place where you can go when you need money at low rates; a place where you can save as little as a quarter a week.

That means that you own your own insurance company—CUNA Mutual Insurance Society, where you can

Insure your loans against death or disability: if you die or are disabled before your loan is paid, CUNA Mutual pays it for you, freeing your family, your co-makers, your estate.

Insure your savings: (If you die, every dollar you have deposited in your credit union is matched with a dollar from CUNA Mutual. (Decreasing benefits on deposits made after age 55.)

Obtain individual life insurance contracts for yourself and members of your family offering permanent protection at a fair premium cost.

**THESE** things give you a security that no one but a credit union member can have.

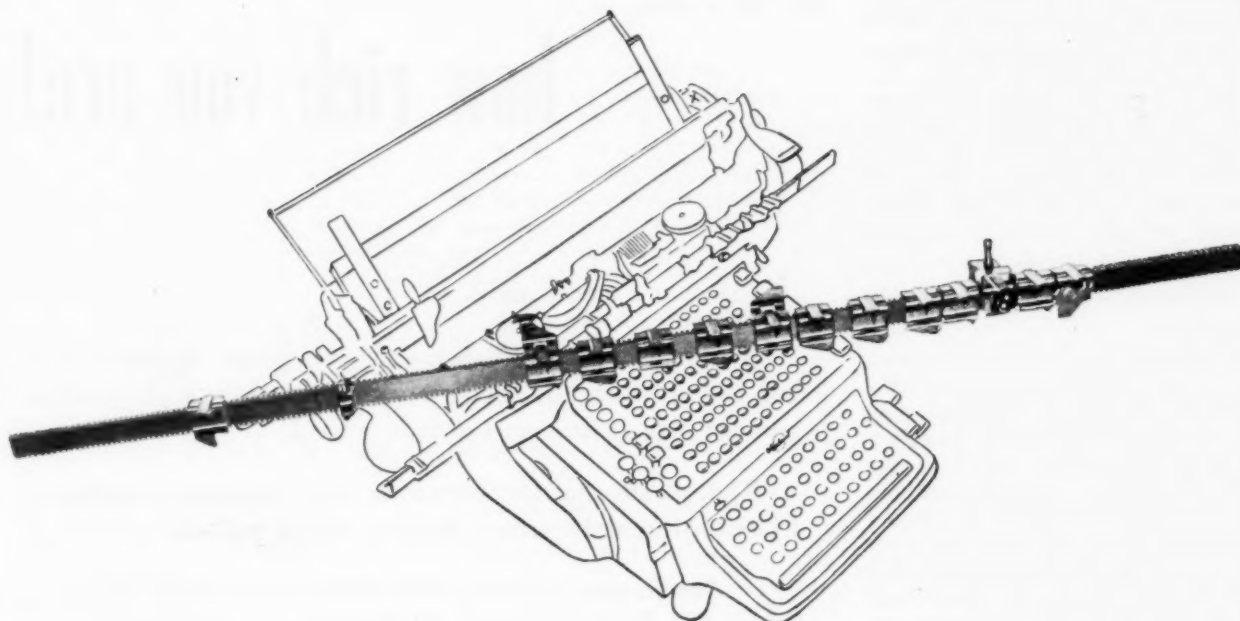
Write for our free leaflets on  
Loan Protection • Life Savings Insurance  
Individual Life Contracts

**CUNA MUTUAL INSURANCE SOCIETY**

Madison, Wisconsin



# USEFULNESS



comes from easily changed control

**STOP BARS** — which control the functioning of National Type-writing-Bookkeeping Machines — can be changed in less than a minute to permit use of the machine for any number of *different* accounting jobs.



CASH REGISTERS • ACCOUNTING-BOOKKEEPING MACHINES



Our factory at Dayton, Ohio, proudly flies the Army-Navy "E" with three stars ★ ★ ★ for "un-ceasing excellence" in the production of precision instruments and other war materiel.

**THE NATIONAL CASH REGISTER COMPANY**  
DAYTON 9, OHIO

344 OFFICES IN PRINCIPAL CITIES